S. Hrg. 101-1142, Pt. 1

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

H.R. 5241

AN ACT MAKING APPROPRIATIONS FOR THE TREASURY DEPARTMENT, THE UNITED STATES POSTAL SERVICE, THE EXECUTIVE OFFICE OF THE PRESIDENT, AND CERTAIN INDEPENDENT AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1991, AND FOR OTHER PURPOSES

PART 1 (Pages 1-852)

Department of the Treasury
Executive Office of the President
Federal Election Commission

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
26-221 WASHINGTON : 1991

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, DC 20402

S181-20

26-221 O—91——1

COMMITTEE ON APPROPRIATIONS

ROBERT C. BYRD, West Virginia, *Chairman*

DANIEL K. INOUYE, Hawaii
ERNEST F. HOLLINGS, South Carolina
J. BENNETT JOHNSTON, Louisiana
QUENTIN N. BURDICK, North Dakota
PATRICK J. LEAHY, Vermont
JIM SASSER, Tennessee
DENNIS DeCONCINI, Arizona
DALE BUMPERS, Arkansas
FRANK R. LAUTENBERG, New Jersey
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
HARRY REID, Nevada
BROCK ADAMS, Washington
WYCHE FOWLER, Jr., Georgia
J. ROBERT KERREY, Nebraska

MARK O. HATFIELD, Oregon
TED STEVENS, Alaska
JAMES A. McCLURE, Idaho
JAKE GARN, Utah
THAD COCHRAN, Mississippi
ROBERT W. KASTEN, Jr., Wisconsin
ALFONSE M. D'AMATO, New York
WARREN RUDMAN, New Hampshire
ARLEN SPECTER, Pennsylvania
PETE V. DOMENICI, New Mexico
CHARLES E. GRASSLEY, Iowa
DON NICKLES, Oklahoma
PHIL GRAMM, Texas

James H. English, *Staff Director*
Mary S. Dewald, *Chief Clerk*
J. Keith Kennedy, *Minority Staff Director*

Subcommittee on Treasury, Postal Service, and General Government

DENNIS DeCONCINI, Arizona, *Chairman*

BARBARA A. MIKULSKI, Maryland
J. ROBERT KERREY, Nebraska
ROBERT C. BYRD, West Virginia
ex officio

PETE V. DOMENICI, New Mexico
ALFONSE M. D'AMATO, New York
MARK O. HATFIELD, Oregon
ex officio

Professional Staff
Patty Lynch
Rebecca M. Davies (Minority)

Administrative Support
Shannon Brown

CONTENTS

THURSDAY, FEBRUARY 7, 1990

Page
Executive Office of the President: Office of National Drug Control Policy 1

THURSDAY, FEBRUARY 22, 1990

Department of the Treasury: U.S. Customs Service 107
Federal Election Commission 273

THURSDAY, MARCH 1, 1990

Department of the Treasury:

Bureau of Alcohol, Tobacco and Firearms 309
Federal Law Enforcement Training Center 401

TUESDAY, MARCH 20, 1990

Department of the Treasury: Office of the Secretary 443

WEDNESDAY, MARCH 21, 1990

Department of the Treasury:

U.S. Secret Service 635
Internal Revenue Service 697

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1991

THURSDAY, FEBRUARY 7, 1990

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 10 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini, Mikulski, Kerrey, Domenici, and D'Amato.

EXECUTIVE OFFICE OF THE PRESIDENT

Office of National Drug Control Policy

STATEMENT OF WILLIAM BENNETT, DIRECTOR

ACCOMPANIED BY:
- JOHN WALTERS, CHIEF OF STAFF
- BRUCE CARNES, DIRECTOR OF BUDGET

OPENING REMARKS OF SENATOR DECONCINI

Senator DeConcini. The subcommittee will come to order.

This morning's witness is National Drug Control Policy Director, William Bennett. We are very pleased to have you here.

We are taking testimony this morning on your fiscal year 1991 budget request for appropriations. We are very pleased, Mr. Bennett, that you can spend the time here. I know the demands are great of you and your staff and we worked with you in getting this hearing early so you can get on with your business. We take our business very seriously and that is why we want to spend some time reviewing it.

We could always count on your representatives to work with our subcommittee and we appreciate that and we also appreciate the fact that we have had a good working relationship.

I have reviewed the national drug control strategy, which your office issued just last month, and I am pleased to see that it contains a number of proposals which I believe have a great deal of merit. One is the designation of the entire Southwest border as a high-intensity drug trafficking area, together with the cities of Los Angeles, Houston, Miami, and New York.

Mr. Director, as you know, last year we wrote you, the eight Senators from the border States, urging you to make this designation and we are pleased that you have agreed that it is important enough to get this particular focus.

Arizona is just inundated from drugs and I know that first hand. I am sure the other States have expressed similar concerns to you, also. Those of us from the Southwest know that we have a crisis going on there and I do not take away from the crisis in the other areas that you designated or even some of those that you could not designate.

Due to the success of air drug interdiction efforts in the Southwest, traffickers have been forced to smuggle their illicit cargo on the ground. Across the Southwest border we have had a record numbers of arrests and seizures and the number continue to grow.

I know this designation will be invaluable to the Federal, State, and local law enforcement agencies that are engaged in the daily struggle to stem the increasing tide of narcotics trafficking and I look forward to hearing more details from you.

Having said that, let me also say that while I am pleased by some of the other proposals in the drug strategy too, I am really concerned about funding discrepancies between your budget summary and those outlined in the President's budget.

Most of all, I am alarmed at the President's funding priorities with regard to Federal law enforcement agencies actively engaged in the war on drugs.

You and I engaged in some discussion with your able staff before the Judiciary Committee and I am going to proceed with that line of questioning and pursue those a little further today.

Now, Mr. Director, before you begin, I would like to say that I am encouraged by the facts that you see improvement in drug abuse in the country. That is not what I hear, however, when I travel and particularly when I travel in my own State.

We have a tremendous problem in Arizona. Maybe you are listening to people that I need to listen to. When I held hearings in Arizona last summer on this topic, I did not get the same encouragement that you seem to express in your strategy.

I think a national household survey may be useful, but I am not convinced that it is an accurate measure of drug use in this country.

I point to a 2-year Arizona criminal justice survey of high school seniors which measured twice the number of individuals as the national annual survey conducted by the University of Michigan and found that drug use by Arizona high school seniors was double the national average.

I find it difficult to understand how one State's drug use numbers can be so out of line with those of the annual national survey. However, I am open to being convinced that our State is just a basket case when it comes to drug use in high schools.

So, once again, Mr. Director, we are pleased to have you here. We have a number of questions and we will be joined shortly by Senator Domenici, the ranking member, and I will yield now to Senator D'Amato for any opening statement that he might have.

STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, I am anxious to hear Director Bennett and I will submit my statement for the record.

I would particularly ask, Bill, in your presentation if you might address a certain area that seems to have drawn a great deal of attention. I have gotten calls on it and it relates to your statement that education was not the answer.

Would it be more apt to say that education, without there being a kind of penalty or sanction or loss of privileges, is not nearly as effective?

I do not really think that you intended to indicate that education does not serve a very important role.

But I think education must include a good testing program where you are going to let youngsters know that somewhere along the line in life if they are using they may run into some severe difficulties.

I am just wondering if you might address that and, of course, I have some specific questions.

PREPARED STATEMENT

Senator DECONCINI. Thank you, Senator D'Amato. Your statement will be inserted in the record.

[The statement follows:]

STATEMENT OF SENATOR D'AMATO

Mr. Chairman, I would like to welcome today our distinguished witness, William Bennett, the Director of the Office of National Drug Control Policy.

On Friday, Director Bennett stated at a Judiciary Committee hearing that the scourge is beginning to pass and that we are beginning to win the war on drugs. I would truly like to share this optimism but, unfortunately, there are still too many examples that really make me wonder.

On Monday, I met in Suffolk County with local officials, who are desperate for help. We need to help them respond to the spread of drug trafficking in Suffolk County by including it in the New York High-Intensity Drug Trafficking Area.

In conversations with our Director Bennett and in a letter I sent to him last week, I stressed the following reasons:

One, Suffolk County is a major drug transshipment point, with over 800 miles of shoreline and sea coast, and many commercial grade airports. In December, the Suffolk County District Attorney and the DEA cooperated in the seizure of over 1,500 pounds (700 kilos) of cocaine, which led to another seizure in Atlanta of over 400 additional pounds (200 kilos) and $1.5 million in cash.

Two, other examples include seizures by the DEA of 1,200 pounds of cocaine in Southampton in 1988, and the seizure of a major active cocaine lab in 1985.

Three, last year, Suffolk County indicted and/or processed more than 700 felony charges for drug-related offenses; over 70 percent of the inmates awaiting trail at the Suffolk County Correctional Facility are incarcerated due to drug-related offenses. Because of its proximity to New York City the opportunities for large-scale drug distribution and operations are many, and attractive. According to a 1989 report by the Unified Intelligence Division of DEA's New York Field Division: "Numerous [cocaine] stash houses exist in Long Island and intelligence revealed that cocaine is being stockpiled in Nassau County and Suffolk county for future distribution."

Four, the U.S. Attorney for the Eastern District of New York and the Suffolk County and Nassau County District Attorneys all agree that for these reasons it is of paramount importance that Suffolk County be included.

Five, bringing additional Federal drug interdiction and criminal justice pressure to bear on the western half of Long Island without bringing the same pressure to bear on the eastern half of Long Island is counter-productive. It will just push the drug activity east. The effect is comparable to that of leaving out of the Southwest Border High-Intensity Drug Trafficking Area the eastern most county in that area.

The drug plague is a worldwide epidemic. Yesterday, the New York Times ran an article entitled, "Panama is Resisting U.S. Pressure to Alter Inadequate Bank Laws." The article states, "President Endara has said he sees no need for any significant banking law changes and so does not expect any. The National Banking Commission, which regulates banks, is dominated by local and international banker, many of whom agree with the President that the magnitude of the drug problem has been exaggerated."

If Panama does not provide assurances that it recognizes there is a problem, and the money laundering party must end—either by changing its bank secrecy laws or going forward with a Mutual Legal Assistance Treaty—then aid to Panama will be in jeopardy.

Also on Tuesday, the New York times ran an article on a State Department audit of the Bureau of International Narcotics Matters. The audit—conducted by the State Department's Office of Inspector General—was critical of the State Department's commitment to the war on drugs.

The review found that narcotics policy at the Department yields to other diplomatic priorities. The audit stated, "The war on drugs * * * is being lost and is taking a huge toll in human suffering and exacting a high price in political instability in several source countries."

Finally, the National Transportation Safety Board just released its first in-depth study on the role of drugs and alcohol in fatal truck accidents. It found that 33 percent of truck drivers killed in one year were impaired by alcohol, marijuana, cocaine, or other drugs. The Safety Board said about 26.5 percent of the truck drivers in its study were using drugs other than alcohol.

These are but a few examples of the current national and international situation. Mr. Chairman, I would like someday to say that we are turning the tide against this scourge of drugs. Today, however, I cannot.

I look forward to working with you and Director Bennett to reaching that goal, and I look forward to hearing Director Bennett's testimony.

Thank you, Mr. Chairman.

STATEMENT OF SENATOR MIKULSKI

Senator DECONCINI. We are glad to have Senator Mikulski here who is a very active on this committee, as you may know, Mr. Bennett. On the committee and off the committee you will hear from the Senator.

Senator MIKULSKI. Good morning, Mr. Bennett.

I would just like to welcome you to the subcommittee and thank you, Senator DeConcini, for really kicking off Treasury, Post Office by holding the hearing on the appropriations for our drug program.

If ever there is an issue in which there must be a bipartisan approach and a partnership between the executive, legislative, and judiciary branch, it is fighting drugs.

Mr. Chairman, I know as we go through the year in the Treasury, Post Office Subcommittee, we will be listening to Mr. Bennett's ideas on how we can work with law enforcement, particularly Federal law enforcement on this most important issue.

I think that what our DEA people do and all of our Federal forces and local police do are just heroic. They are just absolutely heroic and yet, at the same time, I believe that while we are doing all we can in interdiction and law enforcement, our most important task is to dry up demand.

Like you, Mr. Secretary, I absolutely oppose the folly of legalization. And yet, while our police and our Federal people are doing everything they can to dry up supply, we must really come up with equally creative efforts in drying up demand. And that is going to be part of my line of questioning.

While we are trying to stop the drugs coming into our borders, or so-called highways of death like Route 95 and others we must also stop the intra-American flow on drugs.

So I look forward to the Secretary's testimony—I am going to call you Secretary.

Mr. BENNETT. Thank you.

Senator MIKULSKI. I think you ought to be one anyway. [Laughter.]

Senator DECONCINI. Thank you, Senator.

And as far as I am concerned, you are a Secretary. You have cabinet ranking and that is how I look at it. I think the issues are more technical where you do your work.

I do want to comment too on the matter that Senator Mikulski raised, the issue for which you received applause at the Judiciary Committee hearing for speaking so forcefully, Secretary Bennett, in opposition to legalization of drugs.

I think legalization would be a disaster and I cannot compliment you enough for the leadership position you have taken and I have heard you on the national media and quoted and I have seen you make some very, very good arguments.

I believe legalization would be a horrendous mistake and yet there seems to be a growing movement in that area, I am sorry to say. I am glad that the administration is fully committed to refute that at anytime.

Mr. Secretary, please proceed, we are using your time.

STATEMENT OF DIRECTOR BENNETT

Mr. BENNETT. Thank you, Mr. Chairman, Senators.

It is a pleasure to be here with you. I have a formal statement, which I will submit to the record.

Senator DECONCINI. Without objection, it will appear in the record.

Mr. BENNETT. But in light of your comments and the other comments, let me try to respond to the things you have opened up with.

I think you are right, Senator Mikulski, we really are in the situation where we have a bipartisan agreement. I think there is broad and deep agreement on most things and I just hope we can keep it.

While I am not hesitating to talk about differences and differences of emphasis, I think it is very important for the country to understand that there is broad and deep agreement.

We agree, Republicans and Democrats, executive branch and legislative branch, on a whole host of measures and I think that is a very encouraging sign. I think the American people should take some confidence from that.

We also have a plan, a comprehensive plan about which I think there is much agreement. As you know, Senator Biden presented his strategy and in large outline it is very much like what we propose. That is a good thing.

Senator DeConcini, we appreciate your letting us know on Wednesday or Tuesday when we last met about your concerns about the lines in the President's budget and our strategy on law enforcement, and I have asked Mr. Carnes to look into this in some detail. So I think we can respond to most of your questions on that this morning.

Maybe I will just take a minute, Senator D'Amato, on the question you asked me. Of course, I do not mean to suggest and did not say—I did not say that education was not an answer. It is not the answer and there is not any single thing that is the answer.

That is why we have said consistently the war on drugs means fighting it on a number of fronts, steady pressure on a number of points and the classroom is certainly one of them.

The thing that I am concerned about is that people put too much stock in any one approach, any one prong. And, indeed, to take it to an extreme, which I have heard, that people think that there is some kind of course out there which if we can just find and give to all our students this will effectively inoculate them against the use of drugs.

There is no such course. There is no such pill. There is no such medication, and I think everyone needs to recognize that.

The education of adolescents has posed a problem to mankind from the beginning of time. They didn't say honor thy father and mother in the Fourth Commandment because there was not a problem. They put it in there—He put it in there because there is a problem and there always has been a problem.

And when it comes to something like drugs, we do find that, and I think most experts in the field would tell you, that many adolescents just do not feel that the kinds of limitations that apply to other people apply to them. Freud calls this—describes the notion of infantile inappetence; the notion that you can do anything and get away with it and you will not get hurt.

A good drug education program will explain to young people that they can get hurt from drugs, but some of them will still have doubts about it and will want to experiment.

If by education we mean every signal that the adult community sends the young, then I would say by all means education matters.

And if parents and churches and schools and law enforcement officers and others are all sending the same signal and we are attaching consequences to actions as well as strong exertations, then, of course, it can make a difference.

I am worried about people thinking again that there is some curriculum or some course which by itself will do the trick. The reason I worry about that is people may then think they do not have to work hard on other aspects of this problem.

Senator DeConcini asked about my guarded optimism about the situation. And I would describe my perspective on the drug war as guarded optimism. I do think that we see some signs that are encouraging and we should be as candid about encouraging signs as we are about discouraging signs.

I am not saying here that there is an interest in negative hype, but we do know that some in the media may believe that the best story is the worst possible story.

I have been concerned about all of the stories about "ice" that we have seen going out all over the country because, as a police officer in New York told one of my staff the other day, there has been so much hype about "ice" even though they are not seeing very much of it in New York, some kids are now walking around saying, where is the "ice," this stuff we read about which gives you three times the high?

We all have to be careful on this and we should not say it is the worst possible on all fronts if it is not the worst possible on all fronts.

Second, we do not want seriousness about this effort to mean that you are always gloomy, that a mark of one's seriousness in this issue is to not admit to any progress. That would be a mistake.

As I said, given what I am reading and the reports I am getting and where I have been, the people I have talked to, I am moderately encouraged and I am guardedly optimistic. But the successes are by no means inevitable or to paraphrase Justice Holmes, I think he said the mode in which the inevitable comes to pass is effort.

And the efforts that are required now are the efforts that we have seen in the past and that we now need to improve on.

The rate—whether things get better and the rate at which things get better will depend on what happens on a whole number of stages; this stage, what the Federal Government does, how strong its effort is and a host of other stages. And we should not obscure the importance of those whether a courageous Governor—and there are several not too far from here—is successful in prevailing on strong antidrug measures against people who seek to water them down; whether the schools put in the right education programs and policies; whether people who run workplaces decide to adopt no drug use policies in their workplace and offer employee assistance programs and randomly test if the situation warrants it; whether communities are willing to have treatment sites in their neighborhoods because if treatment money is going to expand, as it surely is, treatment facilities will have to expand and we are going to need more sites for them; whether Governors and State legislatures will see as I think have to see in many environments the need to expand their law enforcement system, more police, or more prisons, or more courts, more judges; and, again, whether the American people will see in their private offices, in their capacities as parents and church members and neighbors their responsibility to act and to do something.

Whether things get better from here on and how fast they get better will depend on actions in all those contacts as well as what happens here.

In any case, I think we have learned a lot. I have certainly learned a lot in the last year. I am pleased with the fact that we have a general consensus. I am pleased with the fact that we have a strategy and a plan. I am pleased that, for example, we are going next week to Cartagena for what I hope will be a substantial meeting with the three Andean countries and a host of other things, which we have planned.

I can tell you that we have had the strong support of the President, his obvious personal interest and involvement in this, and we would not have gotten so far inside the Federal Government without that kind of support.

Why don't I just stop there.

PREPARED STATEMENT

Senator DECONCINI. Thank you, Mr. Bennett. Your formal statement will be made part of the record.

[The statement follows:]

STATEMENT OF WILLIAM J. BENNETT

Ladies and gentlemen, when I took up my duties just about a year ago, I said that although America had to win this war, it was by no means certain that we would win it. My view has changed.

The war is by no means over, but it is clearly winnable and the momentum is shifting our way. Indeed, while there is still too much bad news, there are scattered but clear signs that we are beginning to win, the scourge is beginning to pass. If we keep up our efforts, we are going to win.

We are making progress every day: Drug use is down, drug arrests are up, drug seizures are up, seizures of traffickers' and dealers' assets are up.

There is something else as well. A year ago, if you had asked for a comprehensive picture of national drug policy, you had to go to over 30 different agencies. Not anymore. The President has encouraged and supported me as I have worked to fashion the efforts of thousands of dedicated people into a complementary and comprehensive whole. Mostly, our decisions have been easily reached, but when we failed to agree, the President has stepped forward to make the tough calls.

Not only are we working more smoothly internally, but—occasional misunderstandings notwithstanding—we have now found more common ground with more foreign nations than ever before.

And we're putting money behind all this. If the Congress enacts this Strategy as is, total Federal spending on anti-drug efforts will have increased by 69 percent since President Bush took office one year and thirteen days ago. For fiscal year 1991 the President is seeking $10.6 billion in drug-related budget authority—a $1.1 billion (12 percent) increase over fiscal year 1990.

Actual spending—budget outlays—for fiscal year 1991 will increase by $2.8 billion (41 percent) over fiscal year 1990.

Perhaps the most important progress is in an area more difficult to quantify—the attitudes of our citizens. But it is real—I have been there and I have seen it. In the past four months I have visited more than 35 cities and towns and I can assure you that all across the country Americans are saying that they will no longer tolerate the use of illegal drugs—not at home, not at work, not in their neighborhoods. They are banding together with their neighbors and, working with the police, they are standing up to the dealers and users and telling them to move on. Attitudes are hardest and, consequently, progress is most impressive in some of the toughest places: in North Tulsa and South Dallas, in South Seattle and in scores of cities across the country. These neighborhoods are the front line in the drug war, and I can tell you that it is these neighborhoods which are no longer giving up ground to the enemy. The line has been drawn; the worst is over. We aren't there yet; in some places we are years away, but we know where we're going and we know how to get there.

The President's second National Drug Control Strategy elaborates and builds upon the philosophy set forth in the first. We will educate and dissuade our citizens away from using drugs; we will get more drug addicts into more effective treatment programs; we will reduce the supply and availability of drugs on our streets and dismantle the trafficking organizations through tough law enforcement and interdiction measures; and we will strengthen the efforts of source countries to stem violence and economic dislocation caused by the international drug trade.

There are several new initiatives in this Strategy which I would like to highlight. In the criminal justice system, we will seek to expand the resources of Federal agencies, such as the Drug Enforcement Administration, who conduct investigations to disrupt and dismantle drug trafficking organizations. We will seek to broaden the death penalty for certain drug crimes, not simply to deter other drug criminals but to administer just punishment upon those who are wreaking havoc upon our society. We will seek funding increases and launch several new initiatives in treatment, prevention and education. We will create a National Drug Intelligence Center within the Department of Justice to provide a comprehensive intelligence picture of the drug trafficking organizations. Finally, we will seek to strengthen the efforts of courageous leaders like President Barco in Colombia through a $206 million increase in our assistance to the Andean nations.

Nothing we have learned in the last twelve months has led us to change our view that a comprehensive effort putting pressure on every point of the spectrum is required. As we said last September, there is no "magic bullet," no one simple solution to the drug problem. We must continue to press on all fronts. If we do, we will continue to see real progress in a war that just twelve months ago was seen as unwinnable.

Mr. Chairman, the American people's intolerance for this problem had solidified several years ago—it appears that our Nation's leaders have finally caught up with them. To paraphrase the President's remarks from his State of the Union address, we're not here to bicker; we're here to get the job done. Let's have our talk and then get back to work.

If we agree that we must push on all points at one time, in our Second Strategy we explain just how we are doing this, agency by agency, program by program, account by account.

In treatment we propose to:

—Increase Federal funding to $1.5 billion. We believe that sum, when combined with State, local and other support, should provide treatment for 1.7 million patients annually;

—Increase Federal support from $70 million to $84 million for job training and counseling for recovering addicts;

—Increase treatment research by $30 million;

—Spend approximately $350 million to treat women and dedicate an additional $6 million solely to expand and improve outreach and treatment services for "cocaine babies"; and

—Develop innovative new treatments, including drug treatment campuses and special programs for adolescents and pregnant women.

In education, communty action and the workplace we propose to:

—OSAP Demonstration grants to provide high-risk youth with educational and recreational activities;

—Increase Drug-Free Schools grants by $50 million;

—Continue emergency grants to urban and rural education agencies by $25 million;

—Increase grants for comprehensive community prevention programs by $50 million;

—Increase to $38 million grant funds to help drug-using pregnant and postpartum women and their children; and

—Increase $50 million (to $150 million) funds for Public Housing Drug Elimination programs;

—Develop model state legislation for drug-free workplaces; and

—Issue a new anti-drug handbook for parents and publish a model anti-drug curriculum by March.

In criminal justice we propose to:

—Increase Department of Justice grants to State and local law enforcement to $492 million—an increase of more than 225 percent since the President took office;

—Increase to $403 million funds for drug-related activities within the U.S. Court system;

—Increase DEA funding by $151 million, including $10 million to fund joint DEA State and Local Task forces;

—Double funding—to $35 million—for domestic marijuana eradication; and

—Request 75 new Federal judgeships for the Federal Court System.

In international efforts and interdiction we intend to:

—Increase funding for economic, law enforcement, and military assistance to Colombia, Peru, and Bolivia by $206 million;

—Expand cooperation with Mexico in a broad range of areas;

—Improve the interdiction of drug money, munitions, and precursor chemicals moving to or from the United States;

—Increase our focus on the Southwest border; and

—Expand the role of the Department of Defense in detection and monitoring of drug smuggling.

In Intelligence and Research we propose to:

—Increase drug-related research by $65 million to a total of $383 million; and

—Create a National Drug Intelligence Center to consolidate and coordinate law enforcement information on drugs.

I want to mention two other initiatives included in this Strategy:

HIGH-INTENSITY DRUG TRAFFICKING AREAS

New York, Miami, Houston, Los Angeles, and the Southwest border have each been declared High Intensity Drug Trafficking Areas.

This means concentrated Federal law enforcement assistance, hundreds of additional DEA and FBI agents, more Border Patrol agents and Customs inspectors, and—consistent with overall budget increases—additional treatment and prevention funds.

More specifically, Congress appropriated $25 million for this purpose in fiscal year 1990. These funds will be provided to Federal law enforcement agencies to help them assess, coordinate and increase their efforts against drug trafficking organizations in these areas. In addition, approximately $1.2 billion will be provided in fiscal year 1990 to these five areas through existing Federal programs in treatment, education, State and local law enforcement, Federal law enforcement, and Defense Department activities.

In fiscal year 1991 we are requesting $50 million for this purpose. A further $1.4 billion will be provided in fiscal year 1991 through existing Federal programs.

DEATH PENALTY

The Administration will be sending to the Congress a proposal to apply the death penalty to three additional categories of drug related offenders: major drug kingpins, drug kingpins who attempt to kill in order to obstruct justice, and Federal drug felons whose offenses result in death.

In summary, this Strategy offers more detail on more programs than the Federal government has ever before undertaken.

The point is, we're on offense and the drug dealers and drug users are now on defense.

We're going to keep the pressure on and, as the President promised, we are going to end this scourge.

STATEMENT OF SENATOR KERREY

Senator **DECONCINI**. Senator Kerrey joined us. Do you have any opening statements, Senator Kerrey?

Senator **KERREY**. Mr. Chairman, I would like to make an opening statement. I have some detailed questions that I will submit to be answered later. I have to go back to another hearing shortly, so I appreciate the opportunity to make a brief statement.

Mr. Secretary, you referenced the Fourth Commandment in your response and started off by saying that the Commandment came from they and changed it to he, from plural to singular. Unfortunately, here in Congress determining what our policy ought to be is often still plural and there is often disagreement.

The message that I would put to you today, Mr. Secretary, is that I am committed to support the work that you are doing to try to eliminate the use of drugs that are destroying the lives of children and youth and other Americans in this country.

I believe, as you do, that we are beginning to see some progress. Unfortunately, my sense of it is that the progress is apt to be made amongst my children and their friends more than it is apt to be made with children of parents earning under $10,000 a year.

The President's message a year ago affected my children. My children listen to you. My children listen to President Bush and they are moved. That helps me as a parent.

However, I must with all due respect simply express to you several concerns. One is that we not put too heavy a reliance upon law enforcement and incarceration. There are 1 million people in prison today in Federal and State prisons and jails. The population is growing 6 percent a year. I am sure you have looked at those numbers and know how much it costs to build a prison, not only the cost in terms of money, but political costs to site and get it done.

Unfortunately, it is easier for us to make decisions about prisons than some other areas. We know how they need to be built. We know, although it is difficult to get done, how to operate them.

You, from a previous life can speak far better than I perhaps, as to how difficult it is on the other hand to run and operate a school so that children get a good education.

So, second, I urge you in your consideration and research into the drug area to look—as I have done as a matter of fact just recently as a consequence of Senator Moynihan's proposal, to lower social security taxes—at what has happened since about 1973 in the United States.

It seems to me that not only have we had a decline in the rate of productivity since about 1973, but we have also had a lowering in the safety net. I must honestly say I participated to some extent in that lowering as Governor in trying to wrestle with budgets and decide how much revenue to extract from the people and how much to expend in a variety of different areas.

But, the concern that I have is that unless your approach is supported with education that is targeted, with housing that is targeted, with transportation that is targeted, with health care that is targeted, unless we wrestle with this so-called safety net and connect it somehow to the economy and the need of the individual to be productive in the economy, then your best hopes will not be realized.

If it is not drugs, it will be something else that will frustrate our efforts to provide equal opportunity for all Americans and to be competitive as a Nation as well.

With all due respect, I must tell you the more I have looked at the economic numbers the more alarmed I have become about our ability to solve not just the problem of drugs, but many other problems this Nation faces.

Mr. BENNETT. Thank you, Senator.

Senator DECONCINI. Senator Kerrey, thank you very much.

Senator Domenici has joined us, the ranking member, and I will yield to him for an opening statement. We have all made opening statements and the Secretary has made his opening statement. Then we will proceed to questions.

Senator DOMENICI. I wonder, Mr. Chairman, if we might just proceed with questions and I will do my opening with regular questions.

Senator DECONCINI. Very good. Thank you.

We are going to try to limit the question round here to 10 minutes each so everyone will get a chance to ask questions and then we will come back.

HIGH-INTENSITY DRUG TRAFFICKING AREAS

Senator DOMENICI. Let me just say, I do welcome you, Mr. Secretary. It is good to have you here and I would like to thank you for coming to New Mexico. It was a very productive visit.

Mr. BENNETT. It sure was.

Senator DeConcini. Mr. Secretary, in fiscal year 1990, the committee provided $25 million to your office for activities related to the designation of high-intensity areas.

Two weeks ago, your office announced the designation of five high-intensity areas. Obviously, $25 million is not enough to carry out the job anticipated by Congress when the authorization was made.

On page 93 of your drug strategy document, with reference to high-intensity areas, you state that in addition to these funds, the administration is requesting more than $1.3 billion for drug enforcement, treatment, and prevention activities intended for the five designated areas.

Does this mean that the six counties in Arizona which have been designated as high intensity will be receiving a significant increase in drug education and treatment funds in fiscal year 1991 over and above the amount that they would have received from a normal grant formula program? And the same question would apply to the other designated areas.

Mr. Carnes?

Mr. Carnes. Mr. Chairman——

Senator DeConcini. I want to welcome Mr. Carnes and Mr. Walters and thank them for being here with us. I compliment them, Mr. Secretary. They are very helpful in dealing with our committee staff.

Mr. Carnes. If I could just run a couple of quick numbers by you to respond to this question.

In 1991 in the five areas that we have designated as high-intensity drug trafficking areas, we are estimating roughly $1.4 billion from existing programs would go to those areas. That would include $169 million in Los Angeles, $223 million in Miami, $436 million in New York, $187 million in Houston, and $368 million along the Southwest border.

Now these are estimates based in part upon the way that the current large programs operate in both treatment and education, as well as what we anticipate law enforcement agencies will do in general in the next year or so as they reallocate their resources.

Senator DeConcini. Mr. Carnes, are these existing funds being transferred to these areas, or are they funds already in these areas which are now designated that is supposed to be used for drug enforcement or whatever——

Mr. Carnes. It is actually partly both, Senator.

In part, it is the operation of the normal block grant programs with the increases that are included in those programs and in part it is also a reflection of projected reallocations of personnel where the Federal Government has discretion to reallocate personnel and resources.

Senator DeConcini. Do you have a breakdown of these reallocations?

Mr. Carnes. We can provide that information when the final detailed funding plans by agency and HIDTA are complete.

Senator DeConcini. Would you provide that for us and also what is considered existing funds within that area and what funds may be coming into the area to augment it or supplement it?

Mr. Carnes. Yes, sir.

Senator **DeConcini**. Very good.

Mr. **Bennett**. Could I comment just briefly?

Senator **DeConcini**. Certainly.

FEDERAL DRUG GRANT ASSISTANCE BY STATE

Mr. **Bennett**. I know you asked about counties, but there is—I might want to submit it for the record—a useful chart. This is similar to a copy appearing recently in USA Today. But it is a chart showing Federal antidrug money to States in fiscal 1989 through 1991. This is budget authority showing what the increase is by State.

I know you asked about counties, but I think it is worthwhile to see. I see Arizona fiscal 1991 going from a funding level of $9.7 million in 1989 to $20.9 million in 1991, a 115-percent increase.

[The information follows:]

22-Feb-90

DRUG CONTROL GRANT PROGRAMS TO STATES
$ Millions

	EDUCATION			BJA			ADAMHA			TOTAL		
	FY 89	FY 90	FY 91	FY 89	FY 90	FY91*	FY 89	FY 90	FY 91	FY 89	FY 90	FY 91
Alabama	$4.9	$8.2	$8.7	$2.0	$6.6	$7.3	$3.2	$6.0	$7.3	$10.2	$20.8	$23.4
Alaska	1.4	2.2	2.4	0.7	1.7	1.9	1.2	1.2	1.4	3.3	5.1	5.7
Arizona	3.8	6.1	6.4	1.8	5.8	6.4	4.1	6.7	8.1	9.7	18.6	20.9
Arkansas	2.9	4.7	5.0	1.4	4.3	4.7	1.7	2.4	3.0	5.9	11.4	12.8
California	30.0	48.7	51.1	10.8	39.7	44.2	33.9	60.4	70.9	74.7	148.8	166.2
Colorado	3.6	5.6	5.8	1.7	5.5	6.1	3.8	6.5	7.8	9.2	17.6	19.7
Connecticut	3.3	5.1	5.4	1.7	5.4	6.0	4.1	6.7	7.9	9.1	17.3	19.3
District of Columbia	1.4	2.2	2.4	0.7	1.8	2.0	1.7	2.3	2.7	3.8	6.3	7.1
Delaware	1.4	2.2	2.4	0.7	1.9	2.1	1.0	1.5	1.7	3.2	5.6	6.2
Florida	11.4	18.8	19.8	5.0	17.8	19.9	12.3	22.6	27.1	28.6	59.3	66.8
Georgia	7.6	12.5	13.1	2.8	9.7	10.8	4.4	8.4	10.2	14.8	30.6	34.1
Hawaii	1.4	2.3	2.4	0.9	2.5	2.8	1.3	2.2	2.6	3.6	7.0	7.8
Idaho	1.4	2.3	2.4	0.9	2.4	2.6	0.9	1.0	1.2	3.2	5.7	6.3
Illinois	13.0	20.8	21.9	4.8	16.9	18.8	11.1	22.1	26.4	29.0	59.8	67.1
Indiana	6.5	9.9	10.2	2.6	8.6	9.6	3.6	7.2	9.4	12.6	25.7	29.2
Iowa	3.2	4.9	5.1	1.6	4.9	5.4	2.4	3.9	4.5	7.2	13.6	14.9
Kansas	2.7	4.2	4.4	1.4	4.4	4.9	1.8	2.8	3.4	5.9	11.4	12.6
Kentucky	4.4	7.2	7.6	1.9	6.1	6.8	3.0	5.2	6.1	9.3	18.5	20.5
Louisiana	5.6	9.2	9.8	2.2	7.0	7.8	4.7	7.8	9.1	12.4	24.1	26.7
Maine	1.4	2.3	2.4	0.9	2.6	2.9	1.4	1.4	1.8	3.8	6.3	7.1
Maryland	4.8	7.7	8.1	2.2	7.3	8.1	5.8	10.4	12.0	12.7	25.4	28.2
Massachusetts	5.7	9.3	9.8	2.7	9.0	10.1	7.4	12.7	15.3	15.8	31.0	35.2
Michigan	10.8	17.2	18.1	3.9	13.6	15.2	11.1	19.1	22.3	25.8	49.9	55.6
Minnesota	$4.7	$7.4	$7.6	$2.1	$6.9	$7.7	$4.0	$7.0	$8.1	$10.8	$21.2	$23.4

* BJA allocations will be revised, based on latest State population estimates at time of FY 1991 appropriations.

22-Feb-90

DRUG CONTROL GRANT PROGRAMS TO STATES
$ Millions

	EDUCATION			BJA			ADAMHA			TOTAL		
	FY 89	FY 90	FY 91	FY 89	FY 90	FY91*	FY 89	FY 90	FY 91	FY 89	FY 90	FY 91
Mississippi	$3.5	$6.1	$6.5	$1.5	$4.6	$5.1	$1.7	$2.3	$2.9	$6.7	$12.9	$14.5
Missouri	5.6	8.9	9.3	2.4	8.0	8.9	4.3	8.0	9.6	12.4	24.9	27.8
Montana	1.4	2.2	2.4	0.8	2.1	2.3	1.0	1.0	1.2	3.2	5.3	5.9
Nebraska	1.8	2.8	2.9	1.1	3.2	3.5	1.4	2.2	2.6	4.3	8.2	9.0
Nevada	1.4	2.3	2.4	0.9	2.4	2.7	1.3	2.1	2.5	3.6	6.7	7.6
New Hampshire	1.4	2.3	2.4	0.9	2.5	2.8	1.0	1.0	1.3	3.3	5.7	6.5
New Jersey	7.9	13.0	13.7	3.4	11.5	12.8	9.7	17.1	20.5	21.0	41.6	47.1
New Mexico	1.9	3.1	3.3	1.1	3.0	3.4	2.0	2.1	2.6	4.9	8.2	9.3
New York	18.7	32.6	35.1	7.1	25.5	28.4	27.9	44.2	51.6	53.7	102.3	115.1
North Carolina	7.1	11.4	11.9	2.9	9.9	11.0	4.2	7.7	9.3	14.3	28.9	32.2
North Dakota	1.4	2.2	2.4	0.8	1.9	2.1	0.7	0.8	0.9	2.9	4.9	5.4
Ohio	12.4	19.2	20.0	4.5	15.8	17.6	9.2	18.1	22.1	26.1	53.1	59.7
Oklahoma	3.8	5.9	6.1	1.7	5.4	6.0	2.1	3.9	4.9	7.6	15.2	17.0
Oregon	3.0	4.6	4.8	1.5	4.8	5.3	2.9	4.8	5.7	7.4	14.2	15.9
Pennsylvania	12.4	20.2	21.3	4.9	17.4	19.4	12.5	22.2	26.6	29.8	59.8	67.3
Rhode Island	1.4	2.2	2.4	0.9	2.3	2.6	1.6	2.4	3.0	3.9	7.0	8.0
South Carolina	4.1	6.7	7.1	1.8	5.7	6.4	2.5	4.6	5.6	8.4	17.1	19.1
South Dakota	1.4	2.2	2.4	0.8	2.0	2.2	0.9	0.9	1.2	3.1	5.1	5.8
Tennessee	5.5	9.0	9.5	2.3	7.7	8.5	3.3	6.7	8.1	11.1	23.3	26.1
Texas	20.9	33.2	34.7	6.7	24.0	26.7	15.1	27.9	32.9	42.8	85.1	94.3
Utah	2.7	4.0	4.1	1.1	3.3	3.7	2.0	3.4	4.1	5.8	10.7	11.8
Vermont	1.4	2.2	2.4	0.7	1.7	1.9	1.0	1.0	1.2	3.1	4.9	5.6
Virgina	6.2	9.9	10.4	2.7	9.2	10.3	5.5	10.1	11.9	14.4	29.2	32.5
Washington	$5.0	$7.7	$8.0	$2.2	$7.3	$8.2	$4.7	$8.4	$10.0	$11.8	$23.5	$26.2

* BJA allocations will be revised, based on latest State population estimates at time of FY 1991 appropriations.

22-Feb-90

DRUG CONTROL GRANT PROGRAMS TO STATES

$ Millions

	EDUCATION			BJA			ADAMHA			TOTAL		
	FY 89	FY 90	FY 91	FY 89	FY 90	FY91*	FY 89	FY 90	FY 91	FY 89	FY 90	FY 91
West Virginia	$2.2	$3.6	$3.9	$1.2	$3.6	$4.0	$1.7	$1.7	$2.1	$5.1	$8.9	$10.0
Wisconsin	5.5	8.5	8.9	2.3	7.6	8.5	5.0	8.6	9.9	12.8	24.7	27.3
Wyoming	1.4	2.2	2.4	0.7	1.6	1.8	0.5	0.5	0.6	2.6	4.3	4.8
Puerto Rico	5.3	9.8	10.6	1.7	5.5	6.1	3.3	5.9	7.0	10.4	21.1	23.7
Virgin Islands	1.3	1.4	1.5	0.5	1.1	1.3	0.2	0.3	0.4	2.1	2.7	3.1
Guam	1.3	1.3	1.5	0.3	1.2	1.3	0.2	0.2	0.2	1.7	2.7	3.0
Other Insular Areas	0.9	0.9	1.0	0.3	1.1	1.2	0.2	0.4	0.5	1.4	2.4	2.7
Total Block Grants	$287.8	$462.6	$487.6	$118.8	$395.1	$440.0	$259.4	$447.8	$533.2	$666.0	$1,305.5	$1,460.9
Funds from Other Programs a/										$587.1	$1,002.7	$1,157.3
Total Available										$1,253.2	$2,308.2	$2,618.2
Additional Resources b/											$304.2	$361.8

---

a/ Includes funding for discretionary grants administered by the Alcohol, Drug Abuse and Mental Health Administration (ADAMHA), the Indian Health Service, the Office of Human Development Services, the Health Care Financing Administration, the Department of Education, HUD, the Department of Labor, and the Bureau of Justice Assistance.

b/ Includes Forfeiture Funds and other assistance (District of Columbia Initiative, Justice/Treasury/HUD/Interior law enforcement assistance, and Department of Transportation programs.

* BJA allocations will be revised, based on latest State population estimates at time of FY 1991 appropriations.

PLAN TO PROVIDE ADDITIONAL RESOURCES

Mr. **Bennett**. The plan, of course, overall—the national plan is to provide additional resources for all parts of the country whether they are designated high intensity or not in treatment funds, law enforcement funds, and so forth.

Senator **DeConcini**. That was my next question and you just answered it. These are not singled out at the expense in the sense that other areas would not also receive additional funding.

Mr. **Bennett**. I would emphasize not only are they not singled out to the exclusion of other areas, but that other areas—indeed, every State in this country will receive a substantial increase in outlays in 1990 and another increase in outlays in 1991.

The overall funding increase is something like 44 percent in fiscal 1990.

Senator **Domenici**. Mr. Chairman, I wonder if you would yield for a clarification.

Senator **DeConcini**. Certainly.

HIGH-INTENSITY DRUG TRAFFICKING AREAS

Senator **Domenici**. Mr. Secretary, on the high-intensity area designations, it is obvious to me that when we set those up we clearly did not have in mind that the $25 million appropriated for fiscal year 1990 or the $50 million requested for fiscal year 1991 would be the only funds available for those designations. Those funds would be extra, above existing program resources to be concentrated on those areas in some proportion.

We did not have in mind that that was the only intensification. We had in mind that you would also—with your Federal capability aside and apart from that amount of money—intensify existing resources and efforts on these areas or otherwise we would not be doing a great deal with each area designated getting one-fifth of $50 million or even more, say if they got $14 million.

So do you intend, in addition to the dollars earmarked for the new designations, to in some real way intensify the application of your Federal resources to those areas?

Mr. **Carnes**. Senator, as I have mentioned before in response to the chairman, some of the existing big block grant programs have increases which will affect these areas just by virtue of the working of those programs.

But in addition, the Government has discretion to reallocate certain kinds of resources that are not governed by statute in their allocations, particularly law enforcement resources and certain kinds of discretionary funds even in other areas that can be targeted.

And the estimates that I have provided for these particular five areas do include additions beyond what we imagine the regular working of the formula programs to be.

Senator **Domenici**. So you are saying to the chairman if the border area is going to get $368 million more or less, they would not have received collectively that $368 million from the existing programs, but for your reallocation with a new degree of intensity of some other discretionary activities?

Mr. Carnes. They would have received some portion of that, but not all of that.

Senator DeConcini. And that—excuse me, Senator—that is what you are going to break down for us.

Mr. Carnes. Yes, sir.

Senator DeConcini. The difference.

Mr. Carnes. We will estimate it. It projects 18 months out.

Senator DeConcini. Can you also—is the Senator finished?

Senator Domenici. I am finished.

Senator DeConcini. Can you also, for the Southwest border, break that down into States or geographic areas?

Mr. Carnes. I can certainly break some of it down by States when the detailed plans are complete and we will see how the others work out.

Senator DeConcini. Thank you.

Mr. Carnes. Yes, sir.

Senator DeConcini. Mr. Secretary, for 1991 you have requested $50 million for the high-intensity activities. How was this figure arrived at and how do you intend to allocate these funds? And, was this, without putting you in any embarrassing situation, was this the amount that you requested from OMB, or was this the best you could get? I understand whatever your answer may be. I am not here to criticize you, but I am interested in knowing how you came to this $50 million figure and what you think is really necessary.

Mr. Bennett. Well, it would be hard to pinpoint I think an exact number because, as you know, the business and negotiations is fluid and we had conversations back and forth with our colleagues at OMB and this is the number we decided on.

We can always use more funds in an effort like this, but we thought the increase from $25 to $50 million was sufficient to do what we wanted to do.

The tasks we set ourselves in the first instance was, as you know, given the specific thrust of the funds here, to launch a major attack by the Federal Government on the criminal organizations in this area.

We talked about what that would cost, what that would take. You could do it for less than $50 million, but I think $50 million is an adequate figure. You could also do it for more.

So the numbers went back and forth subject to the usual kind of negotiating on this item as well as several other items in the budget.

Senator DeConcini. Does it go without saying, Mr. Secretary, that take the Los Angeles high intensity area, $169 million of the redirected money and some new and some already existing, that whatever portion of the $50 million would be allocated assuming that remains a high-intensity area that the amount going there under the reallocation would not be reduced per se by its share of the $50 million?

Mr. Carnes. That is correct.

Senator DeConcini. That is the intention.

Mr. Carnes. It would not be reduced.

Senator DeConcini. Now, Mr. Secretary, the real question for me is, how do you get a handle on this? How do you know that the designated money—reallocated money of $169 million to the designated Los Angeles area and now a portion of the $25 million and next year a portion of the $50 million, whatever you designate then, how do you know that, in fact, this is going to happen?

What procedures do you have to ensure that the $169 million is actually transmitted and gets there. I take it that with your $50 million or your $25 million you have some control, because you are going to write the checks or you are going to OK it. How do you control the rest?

Mr. CARNES. We have established a linkage between us and both Justice and Treasury, depending upon the area. In most cases it is the Justice Department that will be spearheading the effort in the particular cities, Treasury on the border, and we are in constant coordination.

We have an entity, another coordinating entity, if you will, of people between our office and those departments to assure that those offices are implementing the high-intensity activity, that they develop implementation plans, that they perform on those plans, that they're held accountable for their performance on those plans.

Senator DECONCINI. Are you the auditors in essence?

Mr. CARNES. Yes, sir.

REDUCTIONS TO BASE DRUG PROGRAMS

Senator DECONCINI. Mr. Secretary, then I will yield after this question, your budget strategy contains a table which indicates that the administration's proposed fiscal 1991 budget contains an estimated $10.6 billion for drug control programs, an estimated increase of $1.3 billion.

I have reviewed your budget summary and looked at it very carefully. I have several problems with the way in which the drug funding is being portrayed and I raised some of these with you at the Judiciary Committee hearing.

You stated at the time that you were not going to let any of the drug enforcement agencies take the significant staffing reductions which are contained in the fiscal year 1991 budget request and Mr. Carnes addressed that specifically.

I want to spend just a moment pursuing that a little bit further. The figures assumed in your drug summary budget for both fiscal years 1990 and 1991 are not only inaccurate, but misleading in my judgment in terms of the strength of these agencies in combating the drug war.

The funds made available in 1990 for drug programs are significantly lower than the amount shown in your 1990 tables because of the sequestration and pay absorption.

So the problem is exacerbated in fiscal year 1991 because the fiscal year 1990 reductions were not taken into account in calculating the 1991 amount.

Then in 1991 you have additional pay absorption, administratively uncontrolled overtime costs, as it is called, AUO, which will require major staff reductions unless there is substantial new money.

To illustrate my point, last week I received a briefing from Customs Service on the fiscal year 1990 program. Of the $28 million provided for 435 positions for increasing cargo container exams, Customs can only fund $2 million and 59 positions. And it goes on to be even worse, not only in Treasury, but also in Justice, particularly in the INS budget, the little bit I can find about it.

So maybe Mr. Carnes or you could lay this out so the record is very clear. I got the message last week, but I would like to have it very clear what we are talking about, Mr. Carnes, or Mr. Secretary.

Mr. CARNES. Yes, Mr. Chairman; I would be pleased to see if I can shed some light on this.

ADMINISTRATIVELY UNCONTROLLABLE OVERTIME [AUO]

The numbers that we are showing for 1990 and 1991 for FTE and for dollar level effort in each of the agencies for the drug portion of their activities do take into account the absorption of the pay raise and AUO and other costs that they are absorbing.

In point of fact, I think what you noted in the hearing last week was that in some cases agencies are taking those reductions in other nondrug-related areas.

Senator DECONCINI. Is that for fiscal year 1990 or for fiscal year 1991?

Mr. CARNES. I do not know what they are doing in all of the 1990 areas in their FTE's. I know that the number that we have shown you for 1990 for drug-related areas is correct. In 1991, with the exception of the INS number, which we can address in a moment, the number in our budget summary is correct and there are plus ups in every account once you include the OCDETF number for FTE's.

So AUO and pay raise and other absorptions are counted for in our numbers on FTE's.

Senator DECONCINI. In fiscal years 1990 and 1991?

Mr. CARNES. Yes, sir.

But they are applied to other parts of those agencies' budgets. That is to say that the plus ups are genuine. The agencies in some cases have taken them in other areas.

Senator DECONCINI. They have?

Mr. CARNES. Yes, sir.

Senator DECONCINI. Do you know where they have taken them?

Mr. CARNES. At this point, the agencies are, I think it is accurate to say, revisiting this whole issue. I would stipulate from the very beginning, Mr. Chairman, that you cannot make absorptions without having to offset the costs in some way. I mean that is a fact.

Our principal concern has been to protect the drug resources and that has happened and we are very pleased that the drug resources have been protected.

Senator DOMENICI. What does that mean?

Mr. CARNES. What that means is——

Senator DOMENICI. Drug resources.

Mr. CARNES. That means the percentage of their people or their equipment or their effort that is devoted to fighting the drug war and we have protected that. That is not being——

Senator DOMENICI. Excuse me.

Mr. CARNES. Those are being increased in 1990 and 1991. The agencies are showing reductions. Some of the agencies are showing reductions in these accounts in 1991 and they are revisiting those.

I think I can tell you that by the end of this week we are advised that there will be new estimates of what those costs will be.

Now most of these agencies are suggesting that they will not make reductions in agents, but I am not going to sit here and tell you that that does not mean they are not going to make reductions in something else.

In some cases I believe we are discovering that their budgets may have been inflated in certain areas and so you can make adjustments without reducing overall agency effort, but in some cases I think it is inevitable.

Senator DeConcini. Well, let me give you an example.

First of all, if it is not too much trouble, and I know you have got a ton of stuff to do, but can you lay this out for us for fiscal year 1990? What is the amount that is budgeted for drugs and what is the amount that was budgeted for the whole agency and where you have been told the funds are going to be shifted?

Mr. Carnes. Do you want me to do that here right now?

Senator DeConcini. No.

Mr. Carnes. Sure. For the record?

Senator DeConcini. If you would do that for us.

[The information follows:]

ONDCP DRUG-RELATED ASSISTANCE FROM SPECIAL FORFEITURE FUND

[Dollars in thousands]

	1991		Total	FTE added
	AUO	Pay		
Department of Justice:				
FBI	$3,600	$948	$4,548	61
INS	1,661	976	2,637	27
OCDETF	4,849	2,092	6,941	60
Total	10,110	4,016	14,126	148
Department of the Treasury:				
Customs Service	8,604	[1] 10,280	18,884	314
BATF	2,995	861	3,856	78
IRS	1,255	1,804	3,059	83
Secret Service	65	26	91	
Total	12,919	12,971	25,890	475

[1] Also includes funds for Customs' absorption of the 1990 pay raise.

DECREASES FROM 1990-ENACTED LEVEL

Senator DeConcini. And then just this example and then I am going to yield. I am going to come back to it, however. Of the $13.8 million provided for 149 positions for the Customs Air Interdiction Program, if you can focus on that a minute, Customs is only able to fund $5 million and 55 positions this fiscal year.

Now if the President's budget for fiscal year 1991 is enacted, Customs will receive a net decrease of 757 positions from the 1990 enacted level. The same is true with the Bureau of Alcohol, Tobacco, and Firearms, and I think the same is true for INS. We cannot quite get a handle on that one but we are still trying.

Now if you could just tell me—I understand what you are saying, I think, is that it is not going to happen; that there is going to be an adjustment in the President's budget figures that have been submitted.

Is that really what you are saying so that these figures for the increase of 149 positions for the Customs air program will actually take place in fiscal year 1991?

Mr. CARNES. I cannot make that statement as a blanket statement for every single account. I can say that it would—that we do expect it to happen in DEA. We do expect it to happen in INS. We are not sure what is going to be the net effect in FBI and we are not sure yet what is going to be the final outcome in the Treasury Department agencies.

Senator DECONCINI. So we do not know about Customs?

Mr. CARNES. We do not know about Customs. My guess is, if I had to guess, that it will be somewhere—that there will be a reduction in agents, but it will be less than they previously showed.

Senator DECONCINI. Well, it shows now a net decrease of 757 positions from the fiscal year 1990-enacted level. That is what the budget shows. You do not dispute that, do you?

Mr. CARNES. No; I do not.

Senator DECONCINI. Now are you telling us that that is not going to be as great?

Mr. CARNES. That is my expectation.

Senator DECONCINI. Or is it likely to be an increase?

Mr. CARNES. It is my expectation right now that there would be a decrease, that it would not be as great.

Senator DECONCINI. There would be a decrease?

Mr. CARNES. Yes, sir.

Senator DECONCINI. And at the same time there will be an increase of agents available for drug enforcement?

Mr. CARNES. Yes, sir.

Senator DECONCINI. And will you be sending a budget amendment to modify the net loss of 757 positions?

Mr. CARNES. I believe the Customs would—Treasury would send that amendment.

Senator DECONCINI. And you do not know about the other agencies yet, but——

Mr. CARNES. Two I do know, DEA and INS will not—will be able to revise their budget so there is no reduction in agents.

Senator DECONCINI. There will be no reduction overall?

Mr. CARNES. Yes, sir.

Senator DECONCINI. In FBI or DEA?

Mr. CARNES. That is the latest word I have as of this morning.

Senator DECONCINI. So they will get a true add on?

Mr. CARNES. Yes, sir.

Senator DECONCINI. Now my last——.

Mr. BENNETT. Are you talking about drug efforts, or drug accounts, or are you talking about FBI overall?

Senator DECONCINI. Overall. I am talking about overall.

Mr. BENNETT. Is that true for overall?

Mr. CARNES. Yes, sir.

Senator DECONCINI. Actually, they are going to get a chunk of new money that is going to let them add on to what they have?

Mr. **Carnes**. Yes, sir.

Senator **DeConcini**. Treasury is going to get a chunk of new money from the budget, but is not going to get any add on except in the area of drug-designated agents, and is going to be a minus as to the whole agency?

Mr. **Carnes**. That is correct.

Senator **DeConcini**. Now, the last question is why?

Mr. **Carnes**. In part, the number of the costs at Customs for instance. There are a number of nonrecurring costs in 1991. For instance, there were equipment acquisitions, 10 new airplanes, a number of new boats, I think totaling about $100 million out of Customs' budget that are capital acquisitions, but they do not have to carry over. So those costs drop out. But there are—Customs estimates that it is going to have to absorb $14 million extra in AUO costs. And as Secretary Cheney pointed out, you cannot cut defense without cutting defense. You cannot absorb with out absorbing.

And that means that there would inevitably be a reduction in certain areas.

Senator **DeConcini**. Is that what you want, Mr. Secretary?

Mr. **Bennett**. No; we do not want reduction in law enforcement at all.

Senator **DeConcini**. Well, commercial trades activities are going to be cut. We are not going to fund another P-3 AEW and those kinds of things.

Mr. **Bennett**. No; it is not what we want. I mean what we want—the notion here—as you sort through the accounts somebody can say, look you are robbing Peter to pay Paul. The first instance, that is right. The first question, that is right. We are Paul and we want to be paid. We want the drug effort to be fully supported and we understand OMB has a problem and a lot of agencies and departments have problems.

I do not think it has all been figured out by any means what is going to happen to people.

Is that fair?

Mr. **Carnes**. That is correct.

Mr. **Bennett**. I think a lot of that is still under consideration. I do not want the overall law enforcement effort to be depleted. But my first responsibility is to see that this effort gets its support and that the numbers we presented to you are bona fide numbers.

We have made clear our view of this to OMB and I think they still have got to work it out.

Senator **DeConcini**. I will pursue it a little later. I have taken longer than I intended. I yield to the ranking member and thank you for the responses, Mr. Carnes.

DRUG EDUCATION PROGRAMS

Senator **Domenici**. Thank you very much, Mr. Chairman, and let me apologize for being late and I may indeed have to leave early. I have two hearings at the same time.

But let me first, Secretary Bennett, congratulate you on your effort. I think the designation of the Southwest border as a high-intensity drug trafficking area is going to prove out to be a very wise designation.

I believe you are going to have real successes if more resources and coordinated efforts are put on that border. I understand the limitations, as you do, on interdiction, but I do believe there is a great deal of room for additional resources there and we think that is going to work.

I do want to talk with you just a bit about three things that concern me. One, in the area of treatment I have heard you say on a number of occasions that one of the real problems we have got in this country, in addition to the enormous cost of that, is that we do not really know yet how to measure effectiveness and achieve accountability in treatment processes.

I think that is a fair statement. Is that a fair interpretation of what concerns you about it?

Mr. BENNETT. Yes; there is a lot we do not know. Again, we know that a lot of treatment works and we know we need to have more of it, but we do not know as much as we would like to know about that.

Senator DOMENICI. That brings me to the issue of those young people who are in school and addicted or using drugs. And I know that even though we call you the czar that we have other agencies of the Government involved and their generic work and it is not always so easy to get it all coordinated.

But I urge again that you move with real diligence to bring the Department of Education into this war in a different way than just money for education; to try new approaches to treatment such as drug-free schools, experimentation cities that want to set up a high school that will be the treatment facility and the high school.

You know in New Mexico they are trying to do that and I do not keep bringing it up because Albuquerque says we would like to try this new kind of initiative. I truly believe that where you can build on institutional strength that exists, you should. The public school system already has its strength and its institutional roots and its physical facilities and its teachers; if you can build on that to assist in treatment, it is most apt to succeed and most apt to be cost effective.

And I urge that you be innovative there; that instead of just having money to educáte thematically that you also push for experimental and innovative programs of matching money with the school districts and school systems that want to try very new ways to help young people that are addicted that are in school.

Would you just comment on that for a moment?

Mr. BENNETT. Yes, sir; you have had a number of proposals, Senator, along these lines, which we talked about early on. And I have reported those as well as other ideas to the Department of Education, and I think they are taking them seriously.

I think in addition we want to act in such a way with the Department of Education, or the Department of Education should act in such a way, where States have a greater degree of flexibility to try different things, to be those laboratories that they are supposed to be so they can look at an alternative high school, remember, your original idea, and other approaches. Because we are not given the divergence in the variety of American life. We are not going to get there with a cookie cutter approach.

So I would like to see more flexibility there and that is something that they are going to provide.

EFFECT OF LOCAL LAW ENFORCEMENT

Senator **Domenici**. I said I had three. The second one, I will do it quickly. I want to share a notion with you that I believe is absolutely relevant in the American governmental scene.

If you can cause local governmental units that are involved in different aspects of a problem to meet together because they believe they are going to receive some help, you will be amazed, Mr. Secretary. Even if they do not get substantial help, but are meeting together with the idea that if you propose the right thing you might get help, you will be amazed to find the beneficial results that are forthcoming.

Let me just be very specific. If you take any major metropolitan area and if you can be the reason for bringing the police department, the sheriff's department, the judges, the probation people, the entire gamut of involved people together, you may find that for the first time they are talking together about the problems that relate one to another like why the judiciary needs help or why the district attorney needs help, not just the policemen.

And that is why I have been so dedicated to helping local law enforcement with money because I assumed you would bring them together, not just the policemen, but the district attorneys. And I urge that wherever you can find latitude within these statutes, and if they are not there we ought to think about doing it, of causing them to come together and think together about their problems we should, because they will find that they have not been sharing information and ways to help each other.

Now having said that, are you yet finding that local law enforcement with the local law enforcement grant program that we have that we match, is causing any real beneficial ripples out there that you could share with us?

Mr. **Bennett**. Sure. Yes; I think it is. Again, it's not that long since you passed the 1990 budget, and it has only been a little while since the funds have gone out, but we see that a number of local law enforcement agencies are taking good advantage of it and doing a variety of things.

I think I would describe it, Senator, as a specific case of a more general feature one finds which is—it is the same thing I found when I was Secretary of Education. The best Federal program is a program that is intelligently deployed at the local level.

The money that goes out, you cannot say whether it is going to be good or not until you know who is spending it and how they are spending it.

You know I have been in 35 cities and communities around the country now and you go in some places and people say—and I would say this is more typical. People say, well, welcome and you meet around the table with local law enforcement and the treatment people, the education people, and the mayor, and people say:

> Great. We are glad you are here. Here is what we are doing. And we have got a plan and what do you think of this, what do you think of that. And, by the way, additional Federal funds would help. And you all in Washington did this, that would help. But we want you to know that here in River City we are doing our job.

And that is, I think, pretty typical. That is encouraging. That suggests that they are on the way. Almost to that exception what they want is flexibility of the use of the funds.

And where you have intelligent leadership on the job you want to give them that flexibility. You go to some other communities, you walk in and they say:

> Thank God you are here. Save us. We do not have the foggiest idea of what to do. We have had a drive-by shooting. We are seeing crack. We do not know what to do in the schools. Bring buckets and buckets of money and a plan and tell us what the hell to do, and get us out of this nightmare.

You know in that situation that probably no matter what you do, until there is a change in leadership, you are not going to get where you want to get.

One of the most encouraging signs I see is the mood these days is more one of fighting back than wringing one's hands in despair. That itself is an encouraging sign.

If last year the image in America's mind was of that little boy, that Dooney Waters, sitting in that crackhouse, the image this year is the citizens out there in their slickers with their flashlights chasing the bad guys down the street. That is America fighting back and that is very encouraging.

What we want to do, if we are smart, is take advantage of that by making it possible for those groups which are growing and which are making a difference to make a bigger difference.

What does that mean bureaucratically? It does not sound like much, but when things are reduced to the level of the Federal program they never sound like much. But a community grants program that we have got and other efforts of that sort, the HUD programs, the increase in HUD funding for public housing, so people who want to do something will be able to do something, and the Federal Government should be able to help them.

Mr. WALTERS. I think you should mention that——

Mr. BENNETT. We thought—wait a minute because I have got one very good example that I should have started with.

You said did we see it making a difference. You and I were in the South San Jose neighborhood of Albuquerque while local law enforcement intelligently figure out that the way to get a handle on this drug-ridden neighborhood was to have a substation of the local police department right there in the neighborhood so that a cop was always around.

And we heard, you heard, as I heard, now the recreation center is open and people are going to it so things can happen. The presence of that cop made things possible that were not possible before. It takes resources to open a substation. If that is Federal resources, terrific.

Mr. WALTERS. I just wanted to mention that we proposed about $116 million increase in OCDETF that not only unites Federal agencies, but does provide a catalyst for law enforcement with State and local law enforcement officials and $150 million increase in DEA, partly to help them expand their State and local task forces as well.

So that is a kind of Federal effort to bring a catalyst to law enforcement at the State and local level and we agree broadly in terms of community-based efforts in prevention with community-based block grant increases, and I think the Senate's support for a State treatment plan will require some greater commonality in the treatment field as well.

APPLICATION OF SCIENCE AND TECHNOLOGY

Senator **DOMENICI**. Mr. Chairman, I am going to submit a series of written questions, but my last one is just as much for us to ponder here as it is for the Secretary.

Let me just tell you that I believe in these changing times that it is absolutely imperative that the very best science and technology be applied to the issues of drug interdiction and the like.

You had an opportunity that I am aware of to visit the Sandia National Laboratory where an exhibition was put together for your edification with regard to what two giant national laboratories could do by way of technology.

They were talking about such things as the border, Mr. Chairman, and you might have to have a manpower on the border because you have to know where there is mobility.

I mean there is a growing set of technological improvements where you can have a variety of monitoring systems that are very inexpensive and have been developed for other purposes that could be used.

I am concerned that because the war on drugs is spread over so many agencies that we will not have the decisionmaking on the evolution of technology for the war on drugs.

First, the scientists will not know what you need so they will not know what to work on. And, second, nobody will know what they are working on so you can know that they are producing something you can use.

Can you just briefly tell us if you are concerned about it and are we working on that?

Mr. **BENNETT**. Yes, sir; we are concerned about it. We have a committee that—science—we have more committees than you have now.

We not only have enough—so many committees to report to, we have now acted just like our masters. We have created a bunch of committees and interagency working groups, and it is the science and technology group.

I was very impressed with what I saw at Sandia. I was impressed with what I understood, and I was impressed particularly with what I did not understand. It went by awful fast, but it was very interesting and I asked a senior member of my staff to go back down after I got back to take a little longer time to review it.

It is very important because there are a lot of interesting breakthroughs, a lot of good research going on. People are seeing that this is a priority for the country, a priority for the Government, and that funds may be available and that is attracting a lot of people into it.

So, yes, sir; we are studying it.

Senator **DOMENICI**. Thank you very much.

DISTRICT OF COLUMBIA

Senator **DECONCINI**. Senator Mikulski.

Senator MIKULSKI. Thank you.

I found Senator Domenici's questions to be parallel to my own.

As the Senator from Maryland, I have to ask about the high-intensity designation of the District of Columbia. Mr. Bennett, when you came into your office you declared the District a high-intensity area, which we supported, or gave it some type of designation.

Of course, I was concerned that as you squash drugs in the District, it would spill over into Maryland. That announcement was made close to 1 year ago.

I would like to know, No. 1, where are we in controlling D.C. drugs and where are we in terms of the efforts being made in the adjoining metropolitan areas. What resources should we think about coordinating in order to make the District of Columbia, citywide, a drug-free zone?

Mr. BENNETT. Yes, thanks, Senator; I will ask John and Bruce to comment as well.

First of all, I would clarify, when we acted last April we did not formally or legally in any way designate the District——

Senator MIKULSKI. Fellows, I cannot hear him.

Senator DECONCINI. Can we have order please.

Mr. BENNETT. We did not designate the District a high-intensity drug trafficking area. That is a term of art and a special designation. And although many people thought that is what we did, and it was sometimes reported that that is what we did, we did not.

Senator MIKULSKI. I thought that was what you did.

Mr. BENNETT. I know. I know, but we did not. What we said was—we said what everybody else was saying, was that it was a very bad situation, murder capital of the country, in addition to being the Capital of the country, and that we needed to do something and that we were going to provide some assistance.

Since that time, I reported 6 months after, earlier last fall, and we will report again in April an update, since that time a lot of attention from the Federal Government has gone to the District and to the area. The task forces have been formed. I think they are working out very well. The metro area task forces, I think a lot of good work is being done there.

I think, to bring you up to date, the most important event in the District lately has been the appointment of Sterling Tucker to be the drug czar to the District. He has been empowered to take control of the whole situation in the District. He is working closely with our office, and I think we are off to another fresh start.

There are some encouraging signs out of the District. Probably the most encouraging is that report you may have seen about the number of people testing positive—the number of arrestees testing positive for drugs. The number is down considerably in Washington. It is down in Prince George's County as well.

To those who study it, this is very good news. I say this as well for the rest of the population in terms of drug use. But we still obviously have very serious problems in Washington.

Judge Walton on my staff is working with drug czar Tucker going—really going from Federal agency to Federal agency trying to make the fit between the problems in the District and the Federal programs better.

We feel that we have delivered the things that we said we would provide, and now more needs to happen here in the city.

John, would you elaborate, please?

Mr. WALTERS. Well, essentially, as you recall, what we tried to do here is provide additional resources in areas that might be helpful, recognizing that the Federal Government was not going to come in and take over the situation, that was never our intent or I think anyone's intent here, and provide those resources in a way that would provide ongoing cooperation in developing education programs, expanding treatment facilities, and other criminal justice efforts with the task force and so forth.

Those things could not be created, although people were rightly impatient, in 1 or 2 months, and some are beginning to come on line and show some results.

Senator MIKULSKI. But I just asked the question here because I know the goal that you want to accomplish, Mr. Secretary, is a goal that you share with those of us from adjoining metropolitan areas.

What resources do you think are needed in your funding in order to do that for our metropolitan areas and for others? In addition to that, what jawboning, urging everything from raising hell to pats on the back for the people who are supposed to be delivering a service, both at Federal and also local levels?

I raised a lot of dickens with you, Mr. Bennett, saying, "Hey, involve local Government." But you know, it is like you say, you are as good as the people you are going to work with and we are prepared to do so. We are certainly prepared to do that within Maryland.

Mr. WALTERS. Let me try to answer that. I think the problem that we face now is that it is a difficult time for the city government in the District.

Senator MIKULSKI. Because it is demoralized?

Mr. WALTERS. Yes; and also there is a lot of transition or potential transition here, and they are trying to work the best they can, but it is not an easy time for them to do the kind of systematic look that might be helpful.

Some people are trying to do that. Chief Fulwood is trying to go in and expand neighborhood policing. We think that will have some beneficial effect. We recommended that in the first strategy.

There is a lot more money that is going to come into the District as it is in other places for treatment and education and law enforcement assistance. I think the same chart that Mr. Bennett referred to earlier shows that there will be a 57-percent increase in fiscal year 1990 over fiscal year 1989 in Federal assistance to these areas.

There are a lot of resources to be used and used well. The question is, and I think there are serious people working hard in the District, can they take what has been a difficult situation and some problems with the administration and try to sort them out.

If they cannot, the Federal Government cannot probably do that for them and what we are hoping is that people like Mr. Tucker and others will be able to give some renewal to the situation in the District of Columbia. I think that is just candidly what the situation is.

DRUG TRAFFICKING ON I-95

Senator **Mikulski**. Well, we understand the difficulties the District is going through. I think they have a city administrator who is working hard to be in charge.

We will work with you and we offer any assistance that we can grant you as cousins in the adjoining area.

This then takes me to Route 95. I mean I understand that Route 95 is one of the main corridors of drugs coming down from New York, through Maryland and then also into the District of Columbia.

I am not asking you at this hearing to reveal intelligence information or whatever. But what do you think we could do or make sure we include in the funding to deal with the drugs as they come down. It is what I call the intrastate or interstate intra-American route.

Mr. **Walters**. Two things will help in this regard. One is the expansion of OCDETF activities and——

Senator **Mikulski**. What is OCDETF?

Mr. **Walters**. It is organized crime drug enforcement task forces. There are 13 regions around the country where Federal agencies, whether they be Customs, DEA, FBI, or IRS and other agencies, work in a united team with State and local law enforcement officials to pursue organized crime, to attack the drug trafficking organizations and the roots.

We are substantially increasing funding to those as a way of attacking organizations. And most of those regions overlap with high-intensity drug trafficking areas in some form. I think all of them do.

And in addition, the designation of New York will provide additional resources for looking at the designations. The point of the high-intensity designation was to take places that are imports or transit nodes and focus energies on those and try to break down the shipment in organizational structures that move those drugs.

Senator **Mikulski**. So you want to go essentially to the warehouse or to the distribution center of the organized crime?

Mr. **Walters**. That is right. Also, because some drugs are coming up from Miami, the designation of Miami should help with focusing on the transit from the south.

Senator **Mikulski**. Well, I know that one of the things we did at least have in effect, though it does not stem the tide, was the spot check on Route 95 when all of the States cooperated on that.

I would like to say hats off to that because it goes to what you are saying, Mr. Bennett, attach consequences to behavior. And if you are going to be a drug runner, then there is a penalty.

So in addition to—I applaud your effort at organized crime, but we would like to have a chilling effect on people who are their paid carriers, though I think it is an approach which I know is almost modest in terms of seizure and so on.

And I would tell you I am someone who fiercely believes in civil liberties and they are noted in my record. If I thought one of those Smokey the Bear Maryland troopers pulled me over and asked me to open up my trunk, my briefcase, and my purse, that I could save the life of one child, I would be damned willing to have them look and see the only thing I am carrying is my Sweet and Low and my earrings. [Laughter.]

Mr. Bennett. I am delighted to hear that. Thank you.

GUNS AND DRUG CRIME

Senator Mikulski. It is called a communal responsibility where we voluntarily cooperate with that and I think it would be very important.

Which though takes me to another issue, which is, I also understand that the guns that come into these Jamaican posses and others that are really the D.C. thugs that are terrorizing very fine citizens in this area, that the guns come in from Virginia.

Now I am going to ask you a question and it is not to put you on the spot which is about gun control. And the point of my question is, how can we essentially dry up the demand for the guns on the street while trying to dry up the drugs on the street? Because when I talked to my Bureau of Alcohol and Firearms guys, the BATF, they showed me such weapons, that I thought I was in Nicaragua, Mr. Secretary. I thought I could have been talking to the Contras or some Third World junta.

And, you know, here you ask a cop on the beat out there making under 30 grand to face essentially the equivalent of urban howitzers. And I wonder how—what are your ideas and thoughts on the protection of our officers and citizens?

Mr. Bennett. Well, my thoughts are essentially what they have been for some time. I think that since the time we first looked at this, the time the President asked me to take a look at this—he asked a number of people, but I was one of them, we have made a summary study of it and one of the things you find that is quite—at least surprising to me is how many guns there are.

The world is awash in guns. The United States, part of the world, it is awash in guns. American people like guns. It is an American tradition. We all know about that. There have been a lot of magazine stories, TV stories about it. That is point one.

Point two, no matter what efforts it seems we make at controlling the sale and legal distribution of guns in any State or any jurisdiction the criminal element who wants to get guns does not seem to have any problem in getting them because they are around.

As you know, the President's approach in his proposal, S. 1225, I guess it is, argues, and I support it very strongly, that what we have to do is start to associate in the mind of the would-be gun-carrying criminal that by picking up that gun and using it in the commission of a crime, a drug crime specifically, that person is going to pay a penalty, a very serious penalty, and that you are going to talk about a mandatory 5- or 10-year penalty for using that gun.

The problem—I mean there are a lot of problems in this area, but the problem, the single problem that I would focus on is that drug thugs, drug criminals use guns and they like to use guns. Therefore, I think the remedy should be go after the drug criminals who use the guns.

Any attempt, I think, to say this gun or that gun or that gun if that does not exist the problem will be less severe, I think is idle because they will get other guns or they will find a way to get those guns you have just outlawed anyway.

Senator MIKULSKI. Well, as you know, my question was not meant to be a trick question on gun control.

Mr. BENNETT. I know.

Senator MIKULSKI. And in Maryland, the hunting industry is a very important industry and it is something that has also been an important Maryland tradition.

But what we find now is, for example, in our public schools, in our public housing, you could almost put up metal detectors when you have got—and it is something my rural constituents do not quite follow but—9-year-olds packing six shooters. We have got 14-year-olds who look like Rambo. I am exaggerating somewhat, but not totally.

I wonder then what you see in that adolescent or younger population who in some ways are even more of a threat to the community and to police. Because when a policeman goes into a public housing project he sees some big guy, he readies his defense and gets set to go. However, when you see that 13-year-old who could be on the bike with the beeper and so on it could be an equal threat.

Do you have any thoughts on that?

Mr. BENNETT. Nothing more than what I have already said, I think. Again, it seems to me to address the problem that our law enforcement are seeing—I guess what troubles me in it is that there are an awful lot of people who are using guns in the commission of crime, in the commission of drug crime, and they are not going to jail. They are not going to prison, and this is due to the larger question of resources and facilities.

Until we send a clear message on that, I am not sure we are going to accomplish anything.

Senator MIKULSKI. Well, Mr. Secretary, I would hope to count on your continued leadership on this very serious issue which requires immediate attention, and I say that in the best spirit possible.

Just as those of us who really fiercely believe in individual rights need to look at a communal approach, I think those who are very strong on the issue of gun ownership would ask to keep the guns in the hands of the responsible homeowner or hunter. But let us also take a flexible approach in terms of getting away from the thugs who terrorize the neighborhood and go after our cops.

In any event, we look forward to working with you.

Mr. BENNETT. Thank you.

Senator DECONCINI. Senator D'Amato.

Senator D'AMATO. Thank you, Mr. Chairman.

NEW YORK—HIGH-INTENSITY DRUG TRAFFICKING AREA

Mr. Secretary, first of all, let me thank you for your responses to the inquiries I made as it relates to high-intensity drug trafficking areas.

And I am pleased that the New York metropolitan area, with Nassau County in Long Island has been designated one. I raise with you one concern, and I will share with you the statement of one of our police commissioners, the police commissioner from Suffolk County, as it related to the necessity for including that part of the island into this region. He said Long Island is like a pier that extends 120-plus miles out into the Atlantic Ocean, with the dock being New York City. And, of course, that is true and about three-quarters of that pier is Suffolk County with a population of 1½ million people. And I think if you look at the kind of drug activity that has been detected, some of the largest seizures, something in the area of 1,800 pounds of cocaine last year, 7,000 arrests (43 percent drug related), 700 felony arrests, 70 percent of those in the local prisons drug related. So that all of these things I think would point to Suffolk County's inclusion. I would hope you will give us an opportunity to sit down formally to review and share with you, all of the local agencies' information.

Because generally you find that they want the money and they know if you include someone else then that is less for them. But in this situation the adjoining county of Nassau is very supportive, and the U.S. attorney is very supportive. The working relationship would seem to indicate that it should be undertaken.

Mr. BENNETT. You made this concern of yours clear and, as I told you, we want to provide again for flexibility because people there obviously know their situation the best and if there is that kind of consensus in the neighboring communities recognizing that their share may even decrease slightly by the involvement, that is a pretty valid case.

Do you want to add anything?

Mr. CARNES. I would just add, Senator, if I could, that as we say in the strategy, no final decision is going to be made on the exact particular areas to be included without full consultation and involvement of the State and local officials. So they will be part of that decision as to what——

Senator D'AMATO. I was asked when I thought that we might get an indication and I took the unusual course of indicating I thought that within 30 days, certainly that we had already submitted information to you.

Was that a good ballpark estimate on that?

Mr. CARNES. I think it is a little optimistic, but I am hopeful that it may be a couple of months.

Senator D'AMATO. You would not want more and more phone calls. [Laughter.]

Mr. CARNES. Well, that is true. [Laughter.]

Senator D'AMATO. Let me ask you——

Mr. BENNETT. Angry New Yorkers especially. [Laughter.]

Senator D'AMATO. Not angry New Yorkers, but concerned and anxious and I think the facts are there. I think the information is there to the extent that I would hope that we could get——

Mr. BENNETT. We will do it as fast as we can.

Mr. CARNES. As to the progress, I think we can say that we will be making progress with the folks in New York by that time.

FUNDING TO LOCAL GOVERNMENTS—NEW YORK

Senator D'AMATO. Let me, if I might, touch on two quick areas of concern. The district attorney of Manhattan, Bob Morgan, distinguished prosecutor, former U.S. attorney, raises a concern. He says we have 100,000 arrests made in the city of New York that are drug related, and that after the final distribution of funds have come into the State very little of that gets down to the local district attorney's office.

As I travel throughout the State I hear the same kind of concern. Have you picked that up? Because I think it is rather discouraging to these front liners. They feel they need desperately more in the way of help. They are undertaking an incredible job. I think that his office probably handles more drug cases than there are in the entire Federal system. That is one district attorney.

Mr. **Bennett**. Yes; we know. The question of distribution we believe, Senator, as you have heard us say, the distribution of the block grant and other programs we think should be made primarily by, again, the people on the ground. And we think the people to determine that should be the Governors, the State legislatures.

I do not have to tell you about New York. I am from New York myself, as you know. In a State like New York there are always those rivalries and tensions between New York City and upstate and other things.

We cannot be in the position to try to arbitrate that or referee that. I think that has got to be made there on the ground.

We understand also the intensity of the problem. That is why the designation. What can we say? The resources are coming. They are increasing New York an increase of something like 65 percent.

Mr. **Carnes**. If I could just jump in there.

Mr. **Bennett**. Yes.

Mr. **Carnes**. In fiscal year 1989 it was $7.1 million in New York and in fiscal year 1991 it will be $28.4 million. So that is quadrupling just in that time period.

Mr. **Bennett**. In which category?

Mr. **Carnes**. That is just in the State and local law enforcement grants.

So I think what you will see starting this year through outlays being spent out in 1990——

Senator **D'Amato**. So you are saying that there was a reason why the district attorney did not see that much because it was $7 million and now we are going to go up to——

Mr. **Carnes**. $28 million.

Senator **D'Amato**. $28 million——

Mr. **Carnes**. $28.5 million.

Senator **D'Amato**. And so he should see some money, as will others.

Mr. **Carnes**. Yes, sir.

Senator **D'Amato**. OK.

Mr. **Walters**. One problem you should know about here so that people do not come back to you and say, "Well, I did not see it", is one of the things we have experienced as well, as you know, this money goes to the States. It is frequently mixed with State appropriations and there is one check that comes. It does not say *x* percent is Federal dollars, *x* percent is State money.

So part of the problem here is it is not sorted out. So they will not see a check that says this came from the Federal Government and this came from the 1989 drug strategy.

Mr. **Bennett**. Yes; we have heard a lot of people say, "We've got our check from the Government, but we never see the Federal money."

Senator **DeConcini**. But it is a 50-50 match at least?

Mr. **Bennett**. The programs, yes, for fiscal year 1991.

Senator **DeConcini**. Excuse me.

SPECIAL FORFEITURE FUND

Senator **D'Amato**. Let me just touch on one other area and that is the special forfeiture funds. You know I think Chairman DeConcini and certainly the ranking member, Senator Domenici, and a number of us are very cognizant and as a matter of fact we had to fight very hard to get those forfeiture funds included for different purposes. We had real battles with OMB. They did not want to put it in. Do you remember?

Senator **DeConcini**. Sure.

Senator **D'Amato**. So now we have a resource that is there and last year I think it was $109 million which went toward corrections.

I believe that if education, as you have indicated, is going to be successful there has to be consequences attached to one's actions.

If you are going to try and do it only in a classroom, say we are going to teach do not use drugs, that is not going to make it. It has got to be in all of the institutions and it has to be something societal and I think we are maybe, by the way, beginning to undertake it for the first time. I have some hope.

Having said that, we run right into a blank wall, Mr. Secretary. And it is hopeless when you arrest—and right here in the District and you have dealt with the problem, you have arrested somebody and you see that they are either not speedily prosecuted for lack of facilities and in the final analysis if you could get a plea, which was a good plea, or you could get a quick prosecution and in most of those cases people you are arresting should never be put back out on the street.

And in the District they have the law of preventive detention, which we fought for and we brought in with a great deal of problems back in 1982, where if they had the prison facilities 90 percent of those who are arrested probably would never be out on the street and they are back out on the street and they are committing crimes.

That is not just here in the District, but it is in New York City. It is in most of our urban areas, this incredible problem. That is why I raise some concern that I see in fiscal year 1991 the diversion of these moneys away from corrections, which on a Federal level are over taxed. They are not, by the way, nearly as over taxed as are the local and the State facilities.

I mean there are more people in State prisons in New York State than they have in the whole Federal system, and we are probably just busting right out at the seams. But the Federal system is tremendously over taxed and there will be no consequences to people who are using drugs, who are selling drugs, who are involved in drugs if you do not have places to put them in the whole criminal justice system.

I see $86 million of the special forfeiture fund going to intelligence, and $42 million to ADP systems. None to corrections. I am just concerned that while we are dealing with intelligence and computers, we have got a critical, critical need with respect to prisons.

Mr. **Walters**. Well, we used this fund last year in order to provide the money for an expansion of Federal prison construction, as you mentioned.

This year we continued an expansion of the Federal system not on as a large a scale as was planned last year, but it is in the Bureau of Prisons' budget as an item because that budget was in the formulation as we proceeded with the second strategy of the President's budget.

So I want to allay any concern that you have that we are not proceeding with expansion of the Federal prison system. The support to State and local officials, the best estimate that we have is that States and localities are trying to respond to this as well and about $9 billion in jail and prison construction is underway in States and localities.

More needs to be done here. There is no question about that. Some of the resources that are applied in this area are resources we hope will be partly freed up from some of the assistance we are providing to law enforcement through the expansion of the block grant for State and local law enforcement.

We are not attempting by the change in the way the special asset forfeiture fund money is applied this year to deny the importance of strengthening the prison system. And we certainly recognize that the great bulk of crime in this country is handled by States and localities, no question about that.

PRISON ALTERNATIVES

Mr. **Bennett**. Plus, I think we have to look even more at alternatives. New York has a couple of excellent boot camps you know about. We have talked with the Lieutenant Governor of New York about this treatment campus idea, house arrest, community service, a whole range of alternatives.

You are right, the need is there and the joint responsibility is there, no doubt about it.

Senator **D'Amato**. Well, I am very much concerned about that. It just seems to me that in this whole system both on the State and local as well as the Federal level that if you do not have a place to put people who desperately should be taken off of the street, particularly as they represent a threat to others, then there are no consequences to the antisocial behavior in which they——

LEGALIZATION

Mr. **Bennett**. Senator, you know, I think—I mean apart from the resource part of it, one of the things that is impeding that, and I agree with you, is there are several arguments out there that I think are getting in the way of further progress of the war on drugs. One of them is legalization. The other one is this thing that seems to fall quickly off people's lips which is law enforcement is not the answer.

Well, it is not the total answer, but it is part of it. It is very easy to then find excuses for not doing what you need to do.

Senator D'AMATO. Sure.

STATE CORRECTIONS ACTIVITIES

Mr. BENNETT. You say law enforcement is not the answer, we go around the country and we find in an awful lot of States that the proposal to build a new prison or several new prisons is being held up in committee or subcommittee, despite interest of any Governors in doing this and despite the interest of the largest number of taxpayers in doing this. They want it done because they do not want these thugs in the street, but it is sometimes bureaucracy and politics which are holding it up.

We will get there faster if there is more of a threat. You know, it was interesting I think it was in the New York Times, which is one of the New York papers I read, not the only New York paper, not the one I read first, but had a story that indicated that some people in New York City in some of the worst parts were going out of business—decided to go out of business, dealers going out of business because they said that, you know, it was sporadic. They could not count on income. It was dangerous. They did not have health insurance. And they said fear of getting shot or going to prison.

Now I looked at that a little quizzically because it has been sort of conventional wisdom that if you are in the street prison is no fear at all.

It is interesting and obvious. The longer you are in the street, the better your odds are of going to prison. I mean you may not get it the first time or the odds are 10 to 1 that you will do any time, but the second time the odds for us, the good guys, increase.

Now supposing we had a palpable threat, supposing the person going out there to do the drug crimes really thought there was a 50-50 chance or better of doing time because of his crime, that would obviously, I do not think there is any question, drive more people out of business. So I think it is a very effective measure.

Senator D'AMATO. I believe you and I also think that the use of the resources——

Mr. Chairman, you have been very, very patient and I have a Banking Committee hearing that I am 1½ hours late for, but I thought this was so important.

But I think it is important, Mr. Secretary, that you get in the forefront and push. One of the areas you can really help States out is making Federal properties available. The States are desperate and you had your problem here in the District. You ran into it. There are political problems.

Mr. BENNETT. Yes, sir.

Senator D'AMATO. They say, no, no; do not expand Lorton because everybody out there goes wild. You cannot build it on this side of the town. You cannot build it on that side of the town. I think it is an absolute disgrace that you have the crime capital of the country and you cannot build a prison and everybody, everybody recognizes the desperate need for more facilities.

I mean if that is not a disgrace, I do not know what it is.

Mr. BENNETT. Failure to do the obvious is a real problem.

Senator D'AMATO. I think you should challenge them. I really do. Make it a high-profile thing and focus in on how many people are put out on bond.

They present a clear and present danger, Mr. Chairman, to the community and while they are out they continue the same criminal behavior.

Thank you.

SOUTHWEST BORDER

Senator DECONCINI. Thank you, Senator D'AMATO.

Mr. Secretary, let me just go over a few things here and then we will try to get you out of here by 12 o'clock.

Regarding the Southwest border, do you know who in Treasury is going to coordinate the high-intensity effort?

Mr. CARNES. I do not know the name of the person, Mr. Chairman, and I am not sure that one has been designated yet, but it should be soon.

Senator DECONCINI. Would you let us know?

Mr. CARNES. Yes, sir.

Senator DECONCINI. Do you know—is there a timetable established that that official is to go to the State and meet with the people, or is there any schedule——

Mr. CARNES. I believe so, but I do not know what it is.

Senator DECONCINI. Could you provide that as well for the other high-intensity areas. I am interested in your proposed operations.

Mr. BENNETT. We will have from our own office Stan Morris, my Deputy, will go into each of these areas and monitoring.

Senator DECONCINI. Can he give us what he knows as he knows it, the timetables of when you hope to have these high-intensity plans implemented?

Mr. BENNETT. Well, as Mr. Carnes was saying earlier, we hope in the next 2 months we should have some.

Mr. CARNES. Certainly within the next 1 to 2 months there will be consultations with the State and local officials and then I think together that Federal, State, and local people will make sure that they are all in agreement about what it is the Federal officials are going to do.

And at that point the money will start flowing to——

Senator DECONCINI. In 60 days, do you think we may see some——

Mr. CARNES. Certainly some action and consultation with the State and local officials.

CUSTOMS SERVICE BUDGET

Senator DECONCINI. Now, Mr. Carnes, maybe this is for you, but going back to where we were talking about these losses in personnel, if you look at the Customs' budget for 1990, you see that $13.8 million was provided for 149 positions for the Air Interdiction Program.

In order to get that through the absorption, we are told by Customs that the Cargo Container Program, which was allocated $28 million, will have to be cut down to $3 million.

We are told that the air program staff will be cut from $10.8 down to $2.2 million. My question to you, Mr. Carnes, and really to you, Mr. Secretary, is were you aware of this when these budgets were put together? If so, what can you do to see that these cuts do not happen, because these are areas that are directly involved in drug enforcement?

Mr. **Bennett**. Let me comment briefly because a word you used before bothered me and I want to respond to it.

When we put this forward, this drug strategy, we gave the full of the numbers, which we had approved, which we had agreed on, we had discussed, and which we still believe will be the case.

The word was misleading. Mr. Chairman, I want you to know, you know, I have a reputation for telling the truth. Sometimes people agree, sometimes they do not. I do not mislead and I——

Senator **DeConcini**. Nobody questions that, Mr. Secretary.

Mr. **Bennett**. I would never intentionally mislead. And when we put these numbers forward to you this was our sense of what was going to be and it is still our sense of what is going to be. When this was in print we found out from OMB about the AOU problem and the other problems.

Is that right, Bruce?

Mr. **Carnes**. From the agencies we found out.

Mr. **Bennett**. From the agencies we found out that this was going to happen and now it is a problem. I mean you are on top of the problem and you see it and there is going to have to be some sorting out of this.

We want our accounts to be protected, but we understand this might have repercussions on other parts of the agencies.

BUDGET PROCESS—OMB AND ONDCP

Senator **DeConcini**. Sure. I appreciate that clarification and I understand it. But it goes to this point, Mr. Secretary, as part of your authorizing legislation, as I understand it, correct me if I am wrong, one of the jobs is to review agency budgets and certify that there is adequate funding contained in the budget requests to meet the priorities outlined in your strategy. Now is that your understanding?

Mr. **Bennett**. Yes, sir.

Senator **DeConcini**. OK. Now if that is the case, do you get the budgets and do you physically get to oversee them and say, "Wait 1 minute, this isn't in accordance with my strategy and you are not going to cut the Air Staffing Program or the Money Laundering Program, or the Container Cargo Program. We have got to do something about it."

I am interested in knowing what your input is and what the input needs to be from Congress. If you need more authority, I think you should have it, but can you give us some background. I realize you have only had 1 year under your belt here, but it concerns me that somebody is cutting you off and you are not getting what your strategy says you need and which I would like to see implemented.

Mr. **Bennett**. Well, it was an odd year, as you know, because if you remember the requirement of certification was certification against the strategy. A number of the agencies stepped forward and submitted their budgets before we had the strategy.

What I will tell you is—I mean did we play the kind of active role vis-a-vis the agencies that we were supposed to? Yes; we did. I do not know if you know it, Mr. Chairman, I suppose you do, you certainly guessed it, was that in a lot of cases we, even though we did not go through a regular certification process this year, argued to the agencies that they should have more money than they had actually requested.

Senator DECONCINI. You mean the—excuse me for interrupting. You mean if the actual agency, say it was FBI, came forward, you would say, "No, you should ask OMB for more."

Mr. BENNETT. Yes; we said in more cases than not that the requests were too low.

Is that correct?

Mr. CARNES. In virtually every case the agencies' budget—original budget for fiscal 1991 was below what we wanted.

Senator DECONCINI. OK. So you had some input on raising some of those.

Mr. BENNETT. Yes.

Mr. CARNES. Absolutely.

Senator DECONCINI. OK. Now——

Mr. BENNETT. I would like to pause over that because that is, it seems to me, one of the things that was stressed as part of our role. If we thought the budget was inadequate, we were to say so and we did so and this is unusual, but it happened.

Now we have to get to what happened here that accounts for this discrepancy.

Mr. CARNES. In part, the budgets that we got from the agencies were the drug portion of the budget.

Senator DECONCINI. Only?

Mr. CARNES. Yes, sir; we did not get an entire agency budget. We only were getting the drug portion.

Senator DECONCINI. Well, let me interrupt you there. Are you not entitled to review the whole agency budget and do you not have to have the whole budget if you are really going to see that the emphasis is going to be on drugs?

Mr. CARNES. Well, I think that is a matter of some dispute and in point of fact, what we have decided to do was rather than—and I think I am persuaded by this argument—that when it comes to say the FBI counterespionage mission, we do not have any business deciding whether the resources that FBI intends to devote to counterespionage are adequate.

Our area of expertise is supposed to be drugs so that we should concentrate just on drugs and not deal with their counterespionage.

CUSTOMS PROGRAMS

Senator DECONCINI. Well, then let me give you another example. What about Customs and Cargo Container Program that deals with drugs? Was that included?

Mr. CARNES. My understanding on that particular issue, Mr. Chairman, is that, that was included in 1990 funding but that it is going to be—that it is assumed in the base in 1991 for one thing.

The $3.8 million that you are referring to is the research budget. The cargo containing funding was not research. I think there might have been a little disconnect on that.

So that the $3.8 million for research was straight lined from 1990 to 1991. The cargo containing funding is assumed in the base in 1990 as it regards drugs.

I learned this morning that so far the President's request in 1990 was for $28 million, which the Senate and Congress provided. At this point you are correct, 59 canine teams have been hired and I think at this point I do not know how many more they are going to hire because of certain absorption issues.

Mr. WALTERS. I think it is also important to make clear this is in some ways a unique case with the AUO, as you know. We saw budgets and agencies saw budgets that had certain assumptions and now there is a problem with this partly because even the agencies that are going back and saying how do we handle this problem believe, as reflected in our parts of their budgets in our budget statement, that moneys and FTE allocations were correct as submitted. Now we have another issue that was not reflected in those budgets but that is not because simply we did not see it or the agencies withheld it. It was a matter of they did not realize it and that is why we are going back and trying to figure out how we handle this problem.

Senator DECONCINI. Well, then let us just take another example, the air staff, which is really an intensity of people, as is the Cargo Container Program.

The congressional level was $10.8 million and now, based on what is required under the budget, they are only going to have $2,265,000 and that is a substantial cut. My question is: Did you know this, and if you did not, shouldn't you have, and if you did, why did you let it go?

Mr. CARNES. First off, we did not know it.

Senator DECONCINI. You did not know it. Yes; I understand that and I did not mean to ask that question because you already explained that.

So what you are doing about it now is going back and saying, "Hey, we have got to adjust this."

Mr. CARNES. Right. We do not like it.

OMB COOPERATION

Senator DECONCINI. Mr. Director or Mr. Secretary, who is your battle with? Is it OMB? I do not want you to have to tell on somebody, but is that what it boils down to?

Mr. BENNETT. Oh, I do not know. We are working this thing for the first time. I think we were surprised by this. I think some of the agencies were, weren't they, on this?

Senator DECONCINI. Indeed they were.

Mr. BENNETT. What I am saying is if we had seen the whole budget early on I am not sure we would have known any more because I do not think they knew. This came as a surprise and we are just going to have to work our way through it.

Senator DECONCINI. I am sure that you are going to go back and now look at them and, of course, when the budgets come in next year you are going to be able to have everything in the drug enforcement area before you and you will be certifying these budgets.

Mr. BENNETT. Yes, sir.

Senator DECONCINI. Is that right?

Mr. BENNETT. Yes, sir; right from the gun.

Senator DECONCINI. Mr. Secretary, it goes without asking this question, but I want to ask it for the record.

You have no hesitancy whatsoever to put forth your views all the way to the President if they are in conflict with either the agencies' request or, in particular, OMB's decision?

Mr. BENNETT. I have none and did so this year.

Senator DECONCINI. Because to me your job is the toughest job, as I have said to you many times, of anybody except the President because you have got to take on some pretty strong people who have different ideas. They are not against drug enforcement or what have you, but they have other ideas about how to go about it and you are in charge.

And I just want to tell you that a lot of us up here want to be sure you are in charge and that you are willing to fight for every resource that you can possibly get to bring in these budgets for review.

Just to give you an example, Project Achilles in the Treasury ATF is taking a substantial cut because of the budget situation here and that is what you are using in Washington, DC, I understand. It is a tremendous program and it would be a darned shame to end up 1991 seeing a reduction in that program.

And I only ask you if you do not want us to interfere, then we are going to interfere anyway, but if you do need our help, we are there to see that this comes about. Mr. Carnes, I appreciate your very candid approach to this because you get to all of these figures and you can sure scramble them around. I appreciate the fairness.

Let me leave the record for 1 moment, Mr. Secretary, and say that there is no question about your integrity or your frankness. If you tell me something, I believe that that is what you know and we just want to stress the importance of it, that is all.

Mr. BENNETT. Thank you.

I think it has been mostly collegial. There are going to be disagreements, but that is the nature of the job. I mean there comes a certain time of year when lots of agencies, including ours, are going to have arguments.

Senator DECONCINI. Now my next question maybe is not going to be so easy.

Mr. BENNETT. OK.

PRESIDENT'S FISCAL YEAR 1991 BUDGET

Senator DECONCINI. You have a $1.6 billion increase over last year in the total drug area. Is that your best judgment as to how much can be feasibly and usefully absorbed in Federal expenditures on drugs?

Mr. BENNETT. I think it certainly can be usefully absorbed.

Senator DECONCINI. Can more be used without being wasteful? I realize it is a pretty open-ended question, but——

Mr. BENNETT. It is. It is an open-ended question.

This is a—you know from $3.6 to $10.6 billion is a pretty substantial amount of money.

Senator DECONCINI. It sure is.

Mr. BENNETT. We took great pride and urged the President to take great pride in the fact that since he has been in office this is the largest increase of any program, any major Federal program and it is very substantial.

This is a very serious amount of money which we can use productively. Could you see more money being used productively or spent productively in other areas? Perhaps. I mean I would want some—I would want to think on it and I would want to look at it.

When we had our discussions with OMB in our appeals process we talked about various levels of money and what we could do with them.

Common sense, Mr. Chairman, there are—in something like this you can always spend some more money on something or other productively, but are we making the kind of move here and increase that represents very substantial commitment, I do not think there is any doubt about it.

Senator DECONCINI. If Congress passed it and the President signed the bill, would you be comfortable with any add ons for drugs which were to be disbursed under your direction regarding where they would be allocated?

Mr. BENNETT. Well, I would certainly be much more comfortable at my direction than someone else's. Yes, sir; if that were to be the case and the President agreed to it.

Senator DECONCINI. Because last year, as you will recall, the compromise and the increased appropriation from the administration that added almost $2 billion did not actually give the money to you to direct.

Mr. BENNETT. That is right.

Senator DECONCINI. We spread it every place. I am not sure that if Congress elects and the administration goes along with the bill or the White House goes along with some additions that we ought not to give you more authority and more of a role in there to allocate the funds.

Now some will disagree with that up here because they want it for treatment or they want it for enforcement or they want it for P-3 airplanes or something, but I am concerned about your continued role.

If you are having all these problems getting the initial certifications and then we pump more money into it, that only exacerbates your problem of being able to follow the use of those funds.

Mr. BENNETT. I think we will work this out. Again, we have made our case pretty emphatically on this.

Senator DECONCINI. I am going to submit a number of questions. I hate to burden your staff, but I see next year you are going to have some more staff.

Mr. BENNETT. Probably because of your questions. [Laughter.]

We will have three people on Senator DeConcini's questions. [Laughter.]

DRUG EDUCATION

Senator DeConcini. You are not going to have any trouble getting the increase from this subcommittee, particularly with the response that you have given us here.

Let me get to this question. It deals with the education question that Senator Biden and Senator Simon raised about providing drug education for every child, in every classroom, in every school in America, et cetera, et cetera.

In Arizona, we have some outstanding programs, especially the DARE program. I am sure you are aware of those things and you make your point that you have to have some discipline in it.

And I guess that is the answer, why you do not have more in your strategy for drug education funding. Overall, I believe it is a $50 million increase and is there a particular reason that this area is not given more? Maybe the problem was you could not get the money from OMB or whatever. Can you give us a little background on that?

Mr. Bennett. It is not that. I asked Mr. Carnes how close are we to being in a situation where we can say that all schools or virtually all schools in the United States are getting support for drug education and I think he said we are there now.

Is that right, 100 percent? The question is—I guess there is a different estimation as to what we think a good sound drug education component in a school should cost and how much of that the Federal Government should pay for.

I am comfortable with these numbers. The total number is——

Mr. Carnes. 617.

Mr. Bennett. And when we were at the Department of Education in 1987, the number was 100?

Mr. Carnes. 200.

Senator DeConcini. That is how many schools now?

Mr. Bennett. 200 million——

Mr. Carnes. No; $200 million.

Mr. Bennett. Again, going around the country I have seen in every school system I have been in there is drug education programs in the schools.

Senator DeConcini. Can you give us what is your best data regarding the percentage of American schools that are participating in some drug education program?

Mr. Bennett. We think virtually all of them. If you can find a school somewhere that does not, that is not normal. We think virtually——

Senator DeConcini. Literally you think they are all into some drug education——

Mr. Bennett. Yes; some format.

Mr. Walters. Department of Education estimates they are all getting it.

Senator DeConcini. They are all getting it.

And to take it a step further, what percentage of those students are participating in what you believe, as a former Secretary, in an effective drug education program? Do you have any idea?

Mr. Bennett. I could not give you a reliable number.

Senator DeConcini. Is there any way to find that out without an excessive burden?

Mr. Walters. Well, the Department of Education actually has an ongoing study. When the original Drug Free Schools and Community Act was passed and we were still at the Department of Education, part of that was—as a part of that we introduced a multiyear research program to look at how the money was being spent, to make sure we had a way of expediting its employment in the classroom and, second, what kinds of things it was buying.

That is still ongoing. We have got an initial report. I think we are going to get some additional information on that. That will tell us some of the kinds of programs that are being bought.

The best indication of how effective it is, is, of course, what students' drug use rates are and the expansion that we are trying to undertake in the household survey and in the high school survey down to other grades will begin to give us information, I do not know when the first report is, in about 1 year or 18 months, on student drug use.

Senator DeConcini. So we are waiting to see what effect, if any, these programs—the better programs have on——

Mr. Walters. We did have tools and we do not have——

Senator DeConcini. We do not have that now.

Mr. Bennett. Not to argue against drug education moneys, but just to indicate again as a general caveat, if you look at the surveys—the high school surveys, the decline in drug use among students began before Federal funds started to hit. That is not arguing against Federal funds.

What that suggests is if it was going on anyway because of general culture values, what parents were doing, what principals were doing, it ought to continue on that path because of additional Federal funds.

Senator DeConcini. Because, you know, to me I see the validity, Mr. Secretary, in waiting to see what kind of success we have here. I must say I equate it to the gun issue in doing a study.

You are convinced and I have been convinced for a long time that any kind of gun restrictions are not going to change the drug problem, but I would like to try something. I would like to see it. That is why I have introduced a bill that would mandate a study—some set clause so we will not have to have it permanently if it does not work, and the same thing goes here.

I am glad—you are talking about 18 months from now we will know, or before?

Mr. Walters. Yes; I am talking nationwide now.

Senator DeConcini. Yes.

Mr. Walters. Now I do not want to mislead you to suggest that we have not—we have been waiting for a comprehensive look before we decide what works. We produced on the basis of the best available research when we were at the Department of Education a handbook about effective school-based programs.

The Department of Education has updated that. They have produced a guide of effective curriculum using the best available information and our strategy notes that they will update that program as well.

So we recognize the importance of nationwide data, but we also are not waiting for the global picture before we do what we can with existing information.

Senator DeConcini. Well, Mr. Secretary, let me go through one more and then——

Mr. Bennett. Could I comment on just one other thing about education?

Senator DeConcini. Sure.

Mr. Bennett. If you look closely at what the education programs are in the schools—you asked for my hunches. I will give you my hunch. My hunch is that the DARE program where uniformed police officers come in and talk to the little kids is probably the single best education.

Senator DeConcini. That is the DARE program or something similar to that?

Mr. Bennett. Yes; I think that is a terrific program.

Senator DeConcini. Well, I am impressed with it and I appreciate your initiative for expanding on it.

Mr. Bennett. And the kids are impressed with the police officers, and they are at a young enough age to be impressionable, which means to have an impression made on them, and it is the right age to do it.

Senator DeConcini. You do not know the results yet?

DARE PROGRAMS

Mr. Bennett. No; we do not know the results, though there is a study out of Los Angeles that is encouraging.

Two things to note of interest, in all of the DARE programs I have seen, I guess I have seen about a dozen, when the officer asks the children why they should not do the drugs the children say two things, one they are bad for you and, two, if you do drugs you will go to jail.

This is another way of illustrating the way in which all these things are interrelated. If the word gets out to the kids that if you do not pay a penalty if you are a drug dealer, if you do not go to jail if you are a drug dealer, or pay a fine if you are a drug user, the education lesson becomes a lie. It becomes hypocritical. This is why, again, all things have to work in concert.

Little kids believe in right and wrong and they believe that crime does not pay. If we do not make it clear to them that crime does not pay, we will lose this very valuable lesson.

I know I run the risk of walking into my caricature, but you have got to walk it like you talk it, as the kids say, otherwise your education program is a lot of bologna. It will be like a lot of sex education for them.

Senator DeConcini. I happen to agree with you having sat through a number of those classes. It would be interesting to see whether it sticks when you talk to a fourth or fifth grader, if you do not have some followup when they are in the seventh or eighth grade and their brothers are using drugs or their peer group is using them.

And I am impressed with those same answers. Also, I am impressed with the fact that these officers go way beyond the law enforcement side as to building self-esteem and how you deal with peer groups and I think that is so important.

MEXICO

Let me ask you a question on Mexico, Mr. Secretary, and then we will end it for the day and I will submit the balance of my questions.

Mexico continues to be the leading producer of heroin and marijuana. It is a major shipment area, also, DEA tells us, with somewhere between 40 and 50 percent now of cocaine being transshipped through Mexico.

The administration of President Salinas has taken some tough positions in regard to illegal drugs and I have applauded him for that, having been very critical of the previous administrations there.

The arrest last year of drug kingpin Felix Guarjardo was a positive step forward. However, the recent indictments in Los Angeles of the 19 Mexican national in the murder and kidnapping of Agent Camarena, including the former head of the Federal Judiciary of Police, are good examples of why I believe our Government must continue to press Mexico on increasing the antidrug cooperation.

The President must send to Congress by March 1 his recommendations on which drug-producing and transshipment countries should be granted cooperation and are granting cooperation with the U.S. drug effort.

As of this time, do you believe the President should certify Mexico as fully cooperating?

Mr. BENNETT. I would like to pass on that right now, Mr. Chairman, because it is a matter of some discussion internally and we are going to—but we are taking a good hard look at it.

We are aware of the progress. I agree with you that pressure and cooperation needs to continue.

Senator DECONCINI. I am not interested in banging on Mexico other than to say that I think we need that dialog to be a little bit more than just internal at the appropriate time.

I realize the administration will come out with a position and you will have to stand with that position, but I think, Mr. Secretary, that if you say in that dialog as the national drug coordinator that more can be done even if they are certified, say it forcefully and argue your case, it is my judgment, for whatever it is worth, that it will have some influence on some of these countries.

Having traveled to some of these countries, your office and you in particular are recognized as the leader here. Quite frankly, next to the President, in my judgment, your statements influence a great deal the cooperation that is gotten, not to take anything away from the Secretary of State or anybody else or not to just make you feel good, but that is what I get talking to these people. One of the ones in Mexico said, "Well, the drug coordinator says we are fully cooperating," and I have to back up a little bit. I said, "I'm not sure he would say under oath you are fully cooperating."

So I just urge you to do that.

Mr. BENNETT. Fair enough.

SUBMITTED QUESTIONS

Senator **DeConcini**. And thank you, Mr. Secretary. We will submit the balance of our questions.

Mr. **Bennett**. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

QUESTION CONCERNING HIGH INTENSITY DRUG TRAFFICKING AREAS FROM SENATOR DECONCINI (OSR#20)

QUESTION: Your second drug strategy indicates that you intend to designate coordinators for each area and to formulate implementation plans for each. Have these coordinators been named and if so, can you tell the committee who they will be?

ANSWER: ONDCP has asked the HIDTA lead agencies to initiate a number of implementing actions. These include: (1) designation of senior Department officials to chair the interagency Metropolitan and Southwest Border HIDTA Committees; and, (2) assignment of senior officials to serve in each area as HIDTA Coordinators, with reporting responsibility to the Chairman of the appropriate HIDTA Committee.

The Justice Department has designated an Associate Deputy Attorney General to chair the Metropolitan HIDTA Committee, and the Assistant Treasury Secretary for Enforcement will chair the Southwest Border HIDTA. The Area Coordinators for the metropolitan areas will be a senior member of the U.S. Attorney's immediate staff who will report through the U.S. Attorney to the Associate Deputy Attorney General. The Treasury Department has not yet designated an Area Coordinator.

QUESTION: Have implementation plans been developed and if not, when do you anticipate having plans for each area?

ANSWER: Implementation plans are being developed and we have asked Treasury and Justice to have their plans completed as soon as possible.

QUESTION: With the designation of the 5 areas and the need to mobilize staff and resources from all of the law enforcement agencies, are you receiving the cooperation you anticipated from the Federal agencies who are to be involved with respect to the allocation of the necessary resources?

ANSWER: The Department of the Treasury has the lead in coordinating Southwest Border HIDTA activities, and the Department of Justice has the lead for Houston, Los Angeles, New York, and Miami HIDTAs. Both Treasury and Justice HIDTA coordinators are working closely with ONDCP's Office of Supply Reduction.

QUESTION: Do you plan to designate additional high intensity areas in the future?

ANSWER: At this time, we are not planning to designate additional areas. We intend to concentrate our efforts in each of the five areas recently designated and to evaluate our efforts.

QUESTION CONCERNING FINANCIAL SUPPORT FOR STATE AND LOCAL LAW ENFORCEMENT AGENCIES FROM SENATOR DECONCINI

QUESTION: What additional types of financial support, if any, do you intend to provide to state and local law enforcement agencies?

ANSWER: The financial support to State and local law enforcement agencies will be through the Department of Justice, Bureau of Justice Assistance. The President's budget proposes a $45.3 million increase over the 1990 budget.

QUESTION: I also understand that you are to review budgetary requirements throughout the year to ensure that the funds provided are being used to meet the drug priorities, and that you have the authority to request reprogrammings or transfers of funds to modify spending to reflect the priorities. Is that also true?

ANSWER: Limited ONDCP staff resources are principally devoted to the budget formulation process, rather than budget execution. We do, however, try to monitor agency spending throughout the year, and we collect information on the progress of drug-related agency obligations.

Further, the Director of ONDCP does have the authority (21 USC 1502) to direct, with the concurrence of the Secretary of a department or head of an agency, the temporary reassignment of personnel in order to implement the Drug Strategy. However, we do not have the authority to request that a budget reprogramming or transfer be initiated. A formal reprogramming request to effect such a change would come from the relevant department, not ONDCP.

QUESTION: It does not appear to me, by looking at the budget situation we are faced with for the current fiscal year, that anyone in the Administration is taking your responsibility seriously. For example, when Customs submitted its budget to you and OMB, did that request include $10 million for 175 inspectors on the Southwest border? And if so, did it also contain a proposal to fund these positions by cutting an equal number of positions elsewhere in the Customs budget or was this something done by OMB?

ANSWER: Customs' drug budget submission to ONDCP did include a request for $10 million for 175 inspectors at Southwest border ports of entry. We thought this was a good idea, one that was fully consistent with our interest in building up the interdiction program along the Southwest border, and recommended it be funded. OMB concurred.

In regard to the issue of funding these new positions by cutting an equal number of positions elsewhere, Customs did not propose this nor did ONDCP.

QUESTION: What is the process for certifying agency budget requests? It is my understanding that you are to receive the agency budget submissions at the same time as OMB. Did your staff certify the budgets of the drug enforcement agencies after the OMB pass-backs for FY 91? I think it would be helpful to see copies of those certifications and I would request that they be made available for the record.

ANSWER: The certification process can be summarized as follows:

The agencies are to submit their budgets to ONDCP at two different points in time. The first submission to ONDCP occurs at the same time the bureaus transmit their budgets to their Departments (during the months of May through July). The second submission is to occur before the Departments transmit their bureaus' budgets to OMB (usually required on September 1st).

ONDCP is to review these agency budgets and certify each submission as to its adequacy or inadequacy to implement the objectives of the Strategy. This means that each bureau will receive two certifications from ONDCP during the year, one related to each submission.

The certifications are to state whether or not the budgets are consistent with Strategy II. This determination will be based primarily on the funding priorities identified in the Strategy.

The first, bureau-level certifications should occur in time for the Departments to take them into account in as they make their determinations on the bureau budgets.

The second certification should occur roughly in mid-October. At that time, we will present to the President our consolidated budget proposal for FY 1992. OMB will then have a month or more to make a different recommendation to the President, or to accommodate our recommendation in its passbacks. The President, of course, will make the final decisions.

This process should result in more coordinated drug budget submissions from the agencies, and between the agencies and ONDCP to the President.

QUESTION: **Has your staff met with the drug agencies this year to review financial plans, and if so, were they made aware of the funding shortfalls?**

ANSWER: A meeting was held on March 12, 1990 with all agencies to discuss the drug control budget process, although this primarily focused on early plans for fiscal year 1992. Agencies are now formulating implementation plans for Strategies I and II, and progress against these plans will be reviewed during the year through the Supply and Demand Reduction Working Groups, chaired by ONDCP.

Regarding funding shortfalls, agencies and ONDCP are aware of those areas where funding is constrained. We are working with agencies to help alleviate these problems.

QUESTION:

Can we expect to receive a budget amendment to reverse the AUO and pay absorption costs?

ANSWER:

ONDCP has worked with the Treasury Department and the Justice Department on the AUO and pay absorption problems. We have proposed to use $40 million of the SFF to offset the costs of the drug-related portions of the pay and AUO increases. This was accomplished within the resource levels of the President's current FY 1991 budget request. We do not, therefore, anticipate transmitting a budget amendment which would request additional funds.

QUESTION CONCERNING DRUG FUNDING FROM SENATOR DECONCINI

QUESTION: Your strategy makes a strong commitment to the Organized Crime Drug Enforcement task forces. The 13 OCDETF regional offices draw on the expertise of nine different Federal agencies -- including the DEA, FBI, INS and Customs Service. Arizona is included in the San Diego Task Force. The President's Budget includes $215 million for FY 1990 and a substantial increase of more than 50 percent for FY 1991 -- TO $330 million. According to the U.S. Attorney in Arizona, his staff currently includes six OCDETF prosecutors from San Diego. However the U.S. Attorney had no idea what Arizona was receiving from the OCDETF program in regards to the participating agencies. My concern is that in the past the cities where the Task Forces are located seem to get the lion's share of the benefits from the program. I would like to be sure that areas that need the assistance, and do not have a task force, are benefitting as well.

Can you provide me with a breakdown of the disposition of OCDETF assets from the San Diego district?

ANSWER: While it is correct that the OCDETF program is structured on a regional basis with 13 Task Forces, it is far from accurate to say that the majority of the benefits accrue to the cities in which the Tasks forces are headquartered. The management concept for this successful program has always been one of having the decision making occur in the field, not in Washington.

Activity in each Task Force is decided and directed by the Core City Coordinating Group, composed of the U.S. Attorney from that city and the OCDETF Coordinators from each of the participating agencies. This group constantly monitors all investigative and prosecutorial activity, and determines whether or not a case meets the criteria for OCDETF designation. As you know, the Anti-Drug Abuse Act of 1988 (P.L. 100-690) mandated the creation of a consolidated appropriation for the OCDETF program beginning in 1990. Under this mechanism, the Attorney General was provided management responsibility for all Federal government resources dedicated to the OCDETF effort. Participating agencies in the Departments of Justice, Treasury, and Transportation are reimbursed from this central appropriation for costs incurred in support of the program. One of the reasons Congress mandated the single appropriation, as stated in law, was to provide the Attorney General with the flexibility to reallocate resources among the agencies and the 13 Task Forces in response to changing patterns of organized criminal drug activity.

The OCDETF program, by its very nature, must be flexible. If a determination is made that additional investigative resources are required to address a growing problem in one city or region, those resources must be able to be quickly redirected.

Accordingly, the process of budget planning is handled at the participating agency level. Based on past experience and in coordination with other participating agencies, each agency determines the level of resources deemed appropriate to address the growing organized crime drug problem. These resource estimates are then reviewed and adjusted as necessary by the

Executive Review Board (ERB), a body chaired by the Deputy Attorney General consisting of the heads of the 11 agencies that participate in the OCDETF program. The ERB is responsible for making program policy and resources allocation recommendations to the Attorney General.

QUESTION: **On page 94 of the Strategy, it states that in FY 1991 an estimated $87 million in OCDETF and DEA Task Force funds will go to high intensity areas. Could you explain to me how the $87 million figure was arrived at an did the Justice Department and DEA sign off on the figures?**

ANSWER: The estimates for OCDETF resources devoted to the High Intensity Drug Trafficking Areas were derived using the latest available hard data, and making projections based on increases in overall resources and the latest information from the field on anticipated increases in case activity. Data has been compiled for fiscal year 1988 indicating the number of work years that each agency has devoted to OCDTEF investigations and prosecutions. The data is arrayed by each of the 94 Federal Judicial Districts. Using the geographic definition of each of the designated High Intensity Drug Trafficking Areas, actual 1988 work year and dollar expenditures were derived from this data base. The projections to arrive at the estimates for 1991 take into account the resource increases requested of the overall OCDETF program, as well as intelligence information on the number and type of investigations likely to occur in each designated area.

QUESTION

Your strategy points out that the Department of Education expects to publish a drug education curriculum model by March. How will this model be utilized at the national level?

ANSWER

The Department of Education is precluded by law from mandating a national curriculum, and this is entirely appropriate. The purpose of the Department of Education's curriculum is to be a resource book, based on the best information available in drug prevention education, for schools to use as they see fit. We envision schools pulling from the curriculum materials appropriate for their young people and incorporating the information into a drug education program designed to fit the needs of the local school.

QUESTION

What is the model based on in regards to the type of drug education programs that are being utilized today?

ANSWER

The curriculum model has in its foundation an understanding of research on child development and substance abuse prevention education, as well as a familiarity with what works in the classroom. Drug prevention education is an evolving field and educators and policy makers continue to debate the effectiveness of various approaches in changing students' knowledge, attitudes and behavior. The curriculum model is designed to provide a flexible framework that can accommodate a number of approaches to teaching drug prevention.

QUESTION: In fiscal year 1990, the Committee provided spending authority of up to $115,000,000 from excess balances in the Department of Justice Assets Forfeiture Fund to be transferred to the Special Forfeiture Fund for prison construction proposes. Your FY 1991 justification indicates that $109,000,000 will be available for transfer on September 30, 1990. Can you tell the Committee what specific prison projects will be funded with the 1990 Fund?

ANSWER: The $109 million is contingent on the Department of Justice realizing its expectations in regard to the Assets Forfeiture Fund. Assuming its projections are realized, we expect to receive the $109 million, which we will then transfer to the Bureau of Prisons to use for the construction of correctional institutions and the construction, renovation, and repair of INS and U.S. Marshals Service detention facilities. BOP has not yet identified specific projects that will be funded.

QUESTION CONCERNING COLLECTION OF INFORMATION FROM SENATOR DECONCINI

QUESTION: First of all, on what basis did you determine that a specific center for the collection of information and intelligence related to drug trafficking was needed?

ANSWER: Over the past several years there have been several national level studies of the narcotics problem and how it can be better addressed. Two studies, the "Vice President's Task Force on Border Control" (December 1988) and the Defense Science Board's study "Detection and Neutralization of Illegal Drugs and Terrorist Devices" (October 1987), recommended that some type of national intelligence center be established to improve the integration and analysis of information related to drugs.

Our own assessment is consistent with these recommendations. During the early days of ONDCP, various members of our staff visited most of the agencies involved in the supply reduction side of the drug war. We received briefings on what the various agencies saw as their intelligence collection and production functions and briefings on what the intelligence consumers thought about the types of information they were getting. It was clear to us that a large amount of effort was being devoted to both tactical and operational intelligence. There is, however, little effort committed to integrating the diverse information to address the numerous strategic policy and operational decisions that must be made. In fact, there is no structure in place in the federal law enforcement community to bring together and analyze the available data and render it into products that are useful in our strategic planning.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM SENATOR DECONCINI

QUESTION: Did you conduct a study which concluded that existing agency capabilities were insufficient? If so, could the committee obtain a copy of that study for the record?

ANSWER: ONDCP did not conduct any formal studies on the adequacy of existing agency capabilities. Two studies, the "Vice

President's Task Force on Border Control" (December 1988) and the Defense Science Board's study "Detection and Neutralization of Illegal Drugs and Terrorist Devices" (October 1987), both recommended that some type of national intelligence center was necessary to improve the integration and analysis of information related to drugs.

QUESTION:

WHY CAN'T THIS COORDINATION BE CARRIED OUT UNDER THE JURISDICTION OF THE ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCES SINCE THIS PROGRAM MAKES USE OF ALL AGENCY PERSONNEL RELATED TO ORGANIZED DRUG TRAFFICKING AND ENFORCEMENT?

ANSWER:

The Organized Drug Enforcement Task Forces (OCDETF) are multi-agency investigatory entities whose functions are to investigate major organized drug trafficking groups or organizations. Though OCDETFs are a significant "collector" of information, they are not capable of (nor should they be) producing strategic assessments. In fact, they should be a consumer of the products of a national drug intelligence center.

QUESTION: How was the amount of $86 million to fund this center in the first year arrived at?

ANSWER: During our initial discussions and deliberations on the National Drug Intelligence Center (NDIC), we asked the Department of Justice to prepare a proforma estimate on the first year costs for planning guidance such as numbers of people (300), acquire/install high-end ADP capabilities, located in the Washington area, and insure appropriate security. Based on this, Justice provided the estimate upon which our budget request was based.

QUESTION:

Are you talking about constructing a new building and if so, where and why is construction necessary when there are so many unoccupied buildings around the country?

ANSWER:

The management group established by the Attorney General will make specific recommedations concerning facilities for the NDIC. I do not expect that a new facility will be constructed. Every effort will be made to utilize existing government facilities or lease appropraite commercial space. Location and security are two critical factors in deciding what facilities are adequate.

QUESTION:

Do you have any information concerning the long-term costs of this proposed center?

ANSWER:

We have not made a detailed assessment of what the out year costs will be for the NDIC. We expect, however, that they will be in the range of $30 million per year.

QUESTION:

$42 MILLION IN THE SPECIAL FORFEITURE FUND FOR FISCAL YEAR 1991 IS PROPOSED TO BE USED FOR IMPROVEMENTS IN THE AUTOMATED DATA PROCESSING CAPABILITIES OF FEDERAL DRUG CONTROL AGENCIES. CAN YOU GIVE US SOME SPECIFIC INFORMATION ON HOW YOU INTEND TO USE THESE FUNDS BY AGENCY?

ANSWER:

In accordance with the 1989 National Drug Control Strategy, ONDCP asked the Federal Bureau of Investigation (FBI) to chair an ADP Working Group to conduct a quick survey of the ADP needs of the principal federal drug control agencies. The Working Group then compiled individual agency submissions into a report to ONDCP. The Working Group's report was unbounded in resource terms and was not prioritized against overall Strategy requirements. The purpose of the survey was to get an initial determination of overall need.

Following receipt of the Working Group's report, ONDCP identified six primary ADP areas to which limited resources could be applied with significant and early returns. The focus of these initial expenditures is on enhancing existing systems (Treasury's TECS II, FBI's Drug Information System, and Immigration's connectivity to TECS II) and on beginning the development of modern ADP capabilities to handle large amounts of data at both DEA, EPIC, and the Coast Guard.

Examples of ongoing activity: DEA is doing a 7-month evaluation of its internal ADP needs and capabilities with focus on improved analysis of its data. The results will provide a basis for exact funding requirements.

The Defense Advanced Research Program Agency has agreed to do an ADP needs and requirements evaluation of EPIC. This will provide the basis for doing a complete ADP architecture for EPIC. This project is just getting underway.

The INS' Interagency Border Inspection System (IBIS) has developed comprehensive mid-range plans for expansion and enhancements. Funds allocated for TECS II and INS needs are to support these enhancements.

In addition, the Strategy directs a comprehensive ADP network to enable the sharing of data among the drug control agencies. Both the NDIC and ADP network are critical elements of the administration's strategy and will significantly augment the overall drug control capabilities. The $42 million required for ADP improvements is distributed among principal activities and purposes as follows:

Agency/Program	ADP IMPROVEMENTS	AMOUNTS
FBI		
	Enhancements to the Drug Intelligence System	$5.0
	Contracts for architecture development	$1.5
DEA		
	Report Automation	$9.0
	Data Base Conversion	$7.0
	Upgrade of EPIC ADP	$5.0
U.S. Customs		
	Enhancements to TECS II	$10.0

U.S. Coast Guard	
Improved message handling/data base integration	$1.5
INS	
Improve data base integration/access to TECS II	$3.0
	$42.0

NOTE: Since Special Asset Forfeiture Funds do not become available to ONDCP until the end of the fiscal year, it will not be possible to use these funds until the beginning of FY 1992--that is 18 months from now. During the coming weeks our estimates for the ADP initiatives will become more precise, and we will be happy to share these with the committee to assure this important activity is funded. The Administration has proposed legislation that would make these funds available to us earlier in the year.

QUESTION CONCERNING AUTOMATED DATA PROCESSING FROM SENATOR DECONCINI

QUESTION: Your drug strategy indicates that the proposal to improve ADP capabilities was the result of findings by a working group established in your first strategy. Could you please provide for the record a statement of the working group's finding and recommendations?

ANSWER: The Working Group's November 22, 1989, findings and recommendations summary is as follows:

> "A critical factor in successful intelligence support to operations is the ability to integrate data from diverse sources and to make it available to a broad range of users. Information sharing has been identified as a key requirement and foundation principle toward achieving a comprehensive Information Management Strategy involving a broad range of technical, operational and procedural initiatives. In this regard, there are three basic challenges that must be met on a priority basis:
>
> -- We must bring together multisource data, e.g., on suspect individuals and organizations; support prosecutions; and operate an effective border control system;
>
> -- Agencies charged with the interdiction of narcotics shipments into the United States must be provided integrated, all-source intelligence to support effective development of limited operational resources, as well as associated command and control facilities needed to coordinate properly surveillance and interdiction operations among participating national, foreign and local organizations; and finally
>
> -- We must implement, on a national basis, the infrastructure necessary to plan, coordinate and oversee the many information programs that together will enable us to meet the foregoing goals."

In addition, the Strategy directs a comprehensive ADP network to enable the sharing of data among the drug control agencies. Both the NDIC and ADP network are critical elements of the Administration's Strategy and will significantly augment the overall drug control capabilities. The $42 million required for ADP improvements is distributed among principal activities and purposes as follows:

ADP IMPROVEMENTS	AMOUNTS
Agency/Program	
FBI	
Enhancements to the Drug Intelligence System	$ 5.0 million
Contracts for architecture development	1.5 million
DEA	
Report Automation	9.0 million
Data Base Conversion	7.0 million
Upgrade of EPIC ADP	5.0 million
U.S. CUSTOMS	
Enhancements to TECS II	10.0 million
U.S. COAST GUARD	
Improved message handling/data base integration	1.5 million
INS	
Improve data base integration/access to TECS II	3.0 million
Total:	$42.0 million

NOTE: Since Special Asset Forfeiture Funds do not become available to ONDCP until the end of the fiscal year, it will not be possible to use these funds until the beginning of FY 1992 -- that is 16 months from now. During the coming weeks our estimates for the ADP initiatives will become more precise, and we will be happy to share these with the Committee to assure this important activity is funded. The Administration has proposed legislation that would make these funds available to use earlier in the year.

QUESTION CONCERNING FINCEN FROM SENATOR DECONCINI

QUESTION: As you may know, Mr. Director, this subcommittee has raised serious concerns about the establishment of the Department of the Treasury's Financial Crimes Enforcement Network (FINCEN). It's not that the concept is flawed -- it's just that we have questioned the practical implementation of the network, which was endorsed in your first drug strategy, as well as the costs and potential for duplication. FINCEN is supposed to be an all-source all financial crimes tactical intelligence center which requires the cooperation and participation of all drug enforcement and intelligence agencies. The information I have received to date from Treasury does not satisfy my concerns that certain agencies may choose not to participate or permit FINCEN to access their data bases. Your drug strategy states that Treasury, along with Justice, will disrupt money laundering operations through the successful application of FINCEN. Have you received assurances from the Attorney General that he will devote manpower, resources and data to FINCEN? If so, can you give us some specifics?

ANSWER: Since our first Strategy was issued in September 1989, the Department of Treasury has worked aggressively to develop a comprehensive plan to accomplish its mandate as the financial crimes intelligence center. A major aspect of Treasury's efforts have been in working with other departments and agencies to solicit their support and participation. These efforts have begun to bear fruit. The Attorney General and other senior officials in the Department of Justice have express support for FINCEN and have made a commitment to participate actively. The Acting Director of FINCEN has received commitments from senior officials in both the Drug Enforcement Administration and the Federal Bureau of Investigation that they will have full time personnel assigned to the FINCEN.

In addition to these Justice commitments, numerous other agencies have expressed interest in participating in FINCEN. The Internal Revenue Service has assigned 15 Special Agents and 6 intelligence analysts; Customs has assigned 17 Special Agents and approximately 25 intelligence analysts; Secret Service has assigned 3 Special Agents; the Nuclear Regulatory Commission, the Federal Reserve Bank, the Department of State, ATF, and the Postal Service have assigned 1 or more personnel.

Concerning access to various agencies' database systems. FINCEN has developed a plan to establish links or access to numerous law enforcement and non-law enforcement database systems. This is a difficult and complex undertaking but has begun and progress is being made. FINCEN has access to the TECS II system, the Customs Artificial Intelligence System (CAIS), and the IRS Bank Secrecy Act Database. Agreement has been reached with DoD to have access to one of its principal drug intelligence systems. Discussions are underway with several other agencies, including the FBI and DEA, concerning access to their ADP systems. These latter efforts will be greatly enhanced when those agencies have their personnel working in FINCEN.

QUESTION:

The cost of FINCEN for FY 90 is somewhere in the range of $13.3 million. Yet, the costs of the Drug Intelligence Center is $86 million in the first year. Maybe I am missing something but it seems to me that if the purpose of the intelligence center is narrowly focused that this is a very large expenditure for a consolidation effort. I also question the need to create two centers. Couldn't EPIC and FINCEN operate out of the intelligence center? If not, why not?

ANSWER:

The National Drug Intelligence Center (NDIC) will provide a broad range of support to national policy and operational decision makers. It will bring together drug information that is resident in the individual departments and agencies involved in the drug war. It will integrate this information into perspectives products which transcend the individual agency mission requirement. The El Paso Intelligence Center (EPIC) is a tactical support organization which, by mandate, focuses on supporting the tactical and operational intelligence needs of interdiction and investigative components. Though EPIC and the NDIC theoretically could be merged, doing so would degrade the missions support capabliities of each.

Our plan is for the NDIC and FINCEN to work very closely and, in fact, may be consolidated at some point.

QUESTION:

I am very concerned about the wasteful expenditure of scarce federal resources for the proliferation of specialized centers. I have heard constant criticism from the law enforcement community about DOJ's El Paso Intelligence Center, better known as EPIC. EPIC was supposed to serve as a tactical intelligence center for law enforcement. Instead it has been critized for failure to turn over timely information to law enforcemnt investigators and instead has become a sponge with information coming in but not being put to practical use in the field. Why don't you fix EPIC instead of creating a new center and what role will intelligence center play which cannot be provided through EPIC?

ANSWER:

Both Stategy I and 2 identified EPIC as an area which needed improvement. Much of EPIC's reputation (which you accurately describe) is derived from its (EPIC's) inability to effectively and efficiently process the large amount of data which it receives. Part of its reputation is derived from historical EPIC "ways of doing business." Both of these factors are being addressed. Part of our ADP enhancement package is to assist DEA in fully automating EPIC so that it can handle the material it has. DEA and EPIC management are working on management and procedures to make EPIC better capable of supporting operational components.

Even with these improvements, however, EPIC is not suited to be a national strategic drug intelligence center. Its physical location takes it out of the mainstream of the national policy environment and away from much of the national and international expertise which must be applied to the drug issue. EPIC's current mission is important and must be improved. Expanding its mission to include national assessments and intelligence production on major international drug cartels would dilute its efforts and diminish its capabilities to support tactical and operational activities.

QUESTION:

What role will the intelligence center play with reference to FINCEN?

ANSWER:

The National Drug Intelligence Center (NDIC) and the Financial Crimes Enforcement Network (FINCEN) must, and will, work closely. During deliberations concerning the establishment of the Financial Crimes Enforcement Network (FINCEN) we made it clear to both Treasury and Justice that eventually the NDIC and FINCEN would need to work closely and, in fact, may be consolidated in some manner. Because the NDIC planning has not been completed, we are not able to describe exactly how this integration/coordination will take place. We are confident, however, that the efforts of the two entities will be mutually supporting and synergistic.

QUESTION:

Your justification states that the data processing funds will be used to coordinate with FINCEN. Can you tell me what specific funds will be used for this purpose and whether or not other funds will be made available to FINCEN out of the special forfeiture fund?

ANSWER:

The ADP funds have been tentatively allocated against eight specific programs or projects all of which address significant ADP shortfalls or enhance existing ADP systems which are critical to our overall information integration. Though no funds have been specifically allocated for FINCEN, FINCEN will significantly benefit from the expanded availability of drug information.

Any improvements in FINCEN ADP systems will be funded out of their authorized base. No special forfeiture fund money will be used for FINCEN ADP systems.

QUESTION:

What agencies are slated for participation in the intelligence center?

ANSWER:

We expect that all the principal federal law enforcement agencies (DEA, FBI, Customs, Coast Guard, IRS, etc.) will participate. We expect that the Defense Department will have some representation in the NDIC. Definition of the exact level and nature of participation of specific agencies must follow the development of the management plan currently being developed by the Department of Justice.

QUESTION**: Will positions for these agencies be funded by the center or will they be expected to be provided on a non-reimbursable basis?**

ANSWER: The Management Analysis Group, set up by the Attorney General, will make final recommendations on manning the NDIC in the coming weeks. However, the previous planning estimate of 300 people has been scaled back to 150 people.

QUESTION:

How will State and local law enforcement be able to use the intelligence center?

ANSWER:

The National Drug Intelligence Center (NDIC) is mandated to produce strategic intelligence and assessments and disseminate to appropriate Federal, State, and local law enforcement agencies. The exact nature and scope of State and local needs and the methods to be used by the NDIC have not been established.

QUESTION:

Mexico this week was the first nation to benefit from Treasury Secretary Brady's debt reduction plan. I fully support the Brady Plan because an economically strong Mexico is critical to the U.S. However, I believe the U.S. taxpayers deserve more.

As debt reduction negotiations begin with other drug producing countries like Bolivia and Peru, would you support mandatory crop eradication targets that must be met by these countries before they would qualify under the Brady Plan?

ANSWER:

Eradication of illicit drug crops is only one of several qualitative and quantitative criteria used by the United States

Government to determine a country's anti-narcotics performance through the certification process. The effectiveness of eradication is determined on a case-by-case basis, with a view to the effect on total country production and the costs and benefits when compared to other drug control programs in the same country. The likely political consequences of proposed eradication programs, particularly involuntary, must be carefully weighed before such operations are pursued.

Inextricably linking mandatory eradication to debt reduction could impede progress on either or both fronts of debt reduction and illicit crop eradication. U.S. policy on debt relief cannot be determined solely as a result of non-economic criteria.

The United States continues to examine ways to help alleviate the debt burden in many of the drug-producing and transit countries, basing its economic decisions on economic policies and programs in those countries.

QUESTION: Your strategy makes a priority of the continuing need to improve our efforts in the area of chemical diversion and trafficking. The illegal use of chemicals for the production of cocaine, heroin and PCP has been an issue I have been involved with since 1987 when I introduced comprehensive legislation to provide the DEA with the necessary tools to address this problem. The legislation passed in the 1988 drug bill, and as of November 1, 1989, the legislation has been fully implemented. As your Strategy points out, we still have a long way to go in this critical area. The DEA needs additional resources to enforce the Chemical Diversion laws and we need to get these other nations, like those in Western Europe, to adopt the same regulations and penalties that we put on our own industry.

I plan to introduce legislation in the near future that will set up a task force of State, Justice and Commerce Department representatives to negotiate with nations that export chemicals to adopt voluntary guidelines that resemble the Chemical Diversion and Trafficking Act. Would you support such legislation?

ANSWER: In our bilateral relations, we will continue to urge the enactment and enforcement of national laws similar to our own Chemical Diversion and Trafficking Act and seek the establishment of investigative and monitoring programs in other countries. Special emphasis is given to encouraging our European allies to stop the flow of illicit or diverted essential and precursor chemicals to drug-producing countries. The Drug Enforcement Administration, in coordination with the Department of State and with the oversight of the Office of National Drug Control Policy, will monitor and seek means to enhance efforts to attack chemical reprocessing by drug-trafficking organizations and the production of essential and precursor chemicals by source and transit countries.

We will also continue to encourage the ratification and implementation of the United Nations Convention Against Illicit Narcotic Drugs and Psychotropic Substances which recognizes the need to prevent diversion of essential chemicals as a cooperative multilateral effort.

QUESTION CONCERNING SURPLUS MILITARY ASSETS FROM SENATOR DECONCINI (OSR#27/28)

QUESTION: Last year when you appeared before the subcommittee I raised the possibility of getting mothballed military aircraft transferred from DOD for use by the drug enforcement agencies. At that time, Customs was pressing DOD for surplus UH-1H support

helicopters and a P-3 slick. To date, no assets have been transferred to Customs from DOD.

Mr. Director, did your office have a chance to look into the Customs request for a P-3 aircraft and intervene with DOD on behalf of Customs? If so, maybe you can tell us the reason Customs has not received the assets it needs to support its air interdiction missions?

ANSWER: The decision on whether or not to support the Customs request to DOD for a P-3 aircraft was deferred until completion of the 1989 National Drug Control Strategy and a determination that Customs had the funds available to complete the required modifications. At the time of Customs original request in April 1989, Customs did not have the funds to modify the aircraft.

On January 26, 1990 Customs informed DOD that an aircraft was still desired and funds were available for the modifications. DOD fowarded the request to ONDCP for review. On February 28, 1990, ONDCP concurred in the request and so advised DOD. DOD and Customs are working the details of the transfer.

QUESTION: **Last year when you appeared before the subcommittee I raised the possibility of getting mothballed military aircraft transferred from DOD for use by the drug enforcement agencies. At that time, Customs was pressing DOD for surplus UH-1H support helicopters and a P-3 slick. To date, no assets have been transferred to Customs from DOD.**

What is really urgent, I am told, is about 20 UH-1H helicopters helicopters to provide back up support for the Blackhawks and for land interdiction purposes. I understand that the military has hundreds of UH-1H copters that are not being used. I can't understand why DOD is hanging on to these aircraft if they could be put to effective use by the drug agencies. Can you or your staff look into the status of this request to DOD and get back to me within the month?

ANSWER: The Department of Defense is currently conducting a review to update the inventory of excess aircraft that can be offered to drug law enforcement agencies. DOD has a number of requests for aircraft from a variety of Federal, State, and local law enforcement agencies. Upon completion of the DOD review, we will work closely with DOD to establish appropriate priorities for the transfer of available aircraft.

QUESTION CONCERNING DOD INTERDICTION FROM SENATOR DECONCINI (OSR#30)

QUESTION: **Can you give me some details about DOD plans for expansion of support on the southwest border, and secondly, can you give me your assurance that DOD will consult and coordinate with Operation Alliance prior to undertaking or expanding its missions on the border?**

ANSWER: The Secretary of Defense gave the Commander-In-Chief of Forces Command (CINCFOR) to the responsibility to coordinate DOD support (except for National Guard support in a State/Title 32 status) along the southwest border. To carryout that responsibility, CINCFOR has established Joint Task Force Six (JTF-6) at Fort Bliss, Texas.

DOD (and ONDCP) views Operation Alliance as the coordinating mechanism for Federal, State, and local law enforcement agencies along the southwest border. Requests for DOD operational assistance come through Operation Alliance to JTF-6. JTF-6 does not initiate counternarcotics operations.

QUESTION: Your drug stratgey refers to the DOD's Joint Task Force 6, JTF-6, located in El Pasom, Texas. Can you tell me what activities will be undertaken by the DOD at JTF-6 and what plans they have to coordinate with other drug enforcement agencies in that region?

ANSWER: JTF-6 is the planning, coordinating, and controlling headquarters for DOD support (except National Guard in a State/Title 32 status) to law enforcement agency operations along the southwest border. Some types of support that JTF-6 could provide are training, long range surveillance and reconnaisance, transportation, intelligence analysis, and medivac support. All support request come to JTF-6 through Operation Alliance. DOD is in a support role only, and does not unilaterally initiate operations.

QUESTION CONCERNING THE STATIONING OF ATF AGENTS IN COLOMBIA FROM SENATOR DECONCINI

QUESTION: Mr. Bennett, we have been hearing for several months about the smuggling of weapons from the United States to Colombia. President Barco has complained about the traffic and information from ATF establishes that guns found in Colombia were obtained from the retail market in the United States. ATF makes a strong case for stationing a small number of agents in that country to improve our intelligence about weapons supplies to the drug cartels and ensuring a rapid investigative response in this country. DEA supports this request strongly and has agreed to provide administrative support. I am told that the Colombian government supports this effort and so does our Ambassador. What is the reason for the delay in obtaining State Department authorization for the agents to report to Colombia?

ANSWER: Recently, ATF had positive discussions with a representative of the State Department regarding their request to station special agent personnel in Bogota. The State Department has expedited AFT's request and approval for authorization is pending a decision from the Ambassador.

QUESTION: Mr. Director, are you familiar with the DEA's plans to relocate to a new training facility? If so, have you taken a position on whether they should be permitted to build their own training facility at Quantico or required to participate in the Federal Law Enforcement Training Center facilities?

ANSWER: ONDCP has not taken a position on this issue. We understand, however, that the Attorney General is reviewing plans to expand the FBI Training Academy at Quantico in order to better accommodate DEA training, now conducted at the FBI facility. No budget proposal has been forwarded to our office for review.

Treasury and Justice have agreed to produce a joint study on how best to meet the training needs of these two Departments. ONDCP will carefully review this issue and be party to any final decision affecting DEA training or use of the Federal Law Enforcement Training Center.

QUESTION CONCERNING DUPLICATION OF EFFORT FROM SENATOR DECONCINI

QUESTION: Mr. Director, as you know, both the INS and the Customs Service share joint responsibilities at our ports of entry. INS has the lead jurisdiction over legal immigration and Customs has lead jurisdiction over contraband enforcement. These agencies seem to work effectively side-by-side with little or no duplication of effort. A matter has been brought to my attention, however, that makes me wonder if there isn't duplication of resources when it comes to dog teams. We all know how effective canines have been in the detection of drugs in vehicles entering the United States from Mexico. Customs has been lead on dog teams because of the drug enforcement role. That is why I am puzzled why INS has their own dogs at ports of entry like San Ysidro. Why should both agencies be using dogs in the secondary examination area? Maybe you should send some of your people out to San Ysidro to take a look at what I am referring to.

ANSWER: INS has several dog teams assigned to U.S. ports of entry. The primary purpose of these teams -- and the specific training of the dogs -- is geared to the detection of human beings, i.e., illegal immigrants. These dogs do indeed have some capability to detect drugs, but this is not their primary purpose.

QUESTION: YOUR FY 91 BUDGET REQUEST PROPOSES AN INCREASE OF $1.847 MILLION FOR 9 PERMANENT POSITIONS OVER THE LEVELS PROVIDED IN FISCAL YEAR 1990. WHAT IS THE REASON FOR THE INCREASE IN FUNDING FOR STAFF AND WHAT SPECIFIC FUNCTIONS WILL THESE NEW STAFF SERVE?

ANSWER: The increase in funding represents full-year costs for a full complement of ONDCP staff in Fiscal year 1990. The nine additional positions will be utilized as follows:

Component	Position	Grade
Executive Secretariat	Staff Assistant	GS 9
Director, Planning, Budget, Admin.	Secretary	GS 9
Planning Staff	Policy Analyst	GS 13
Budget & Legislative Review Staff	Budget Analyst	GS 13
Congressional Relations	Secretary	GS 8
Presidential Advisory Council	Executive Director	SES
Presidential Advisory Council	Staff Assistant	GS 15
Presidential Advisory Council	Staff Assistant	GS 11
Presidential Advisory Council	Secretary	GS 9

QUESTION: WHAT LEVEL OF PAY ABSORPTION IS CONTAINED IN YOUR PERSONNEL COMPENSATION OBJECT CLASSES FOR FY 91? COULD YOU TELL THE COMMITTEE THE TOTAL COSTS FOR INCREASED PAY INCLUDED IN YOUR '91 REQUEST AND BREAK THESE AMOUNT OUT BY THE COSTS FOR THE '90 PAY RAISE AND '91.

Full (100%) pay absorption was included in the personnel compensation object class for FY 90 and partial (50%) pay absorption was included in FY 91.

The cost for the FY 90 (.036) pay increase included in the FY 91 budget is $155,250.

The cost for the FY 91 (.035) pay increase included in the FY 91 budget is $77,506.

The cost for the FY 91 SES (.22) pay increase included in the FY 91 budget is $113,454.

QUESTION: YOUR JUSTIFICATION INCLUDES THE NUMBER OF PERMANENT STAFF POSITIONS YOU PLAN TO ALLOCATE TO EACH OF THE OFFICES WITHIN THE ONDCP IN FY 91. CAN YOU PROVIDE A COMPARISON OF STAFF ALLOCATIONS IN FY 90?

ANSWER: The placement of positions within ONDCP has changed slightly since the submisssion of the budget justification. The comparison that follows reflects current permanent positions compared with positions allocated in FY 91.

OFFICE	FY 90	FY 91
Office of the Director	6	6
Chief of Staff	6	6
National Security Affairs Liaison	2	2
Office of Research	6	6
Scheduling and Briefing	3	3
Executive Secretariat	6	7
General Counsel	4	4
Office of Public Affairs	5	5
Office of Congressional Relations	6	7
Office of Planning, Budget, and Administration	2	3
Planning Service	6	7
Budget and Legislative Review Service	7	8
Administrative Service	9	9
Office of Supply Reduction	11	11
Office of Demand Reduction	13	13
Bureau of State and Local Affairs	13	13
Regional Offices	--	--
Subtotal	105	110

President's Drug Advisory Council	4	4
Total Positions	109	115

QUESTION: HOW MANY DETAILEES FROM OTHER FEDERAL AGENCIES ARE ON LOAN TO THE ONDCP IN FY 90? PLEASE PROVIDE A LISTING BY OFFICE THESE INDIVIDUALS WERE OR ARE ASSIGNED TO, IDENTIFY WHETHER THEY ARE REIMBURSABLE AND WHAT PERIODS OF TIME ON DETAIL TO ONDCP.

ANSWER: In FY 90 we have had 60 detailees assigned to ONDCP. The following list indicates their assignment in ONDCP, their reimbursement status, and the length of their tour at ONDCP.

National Security Affairs Liaison

NAME	REIMBURSABLE?	TOUR LENGTH
Robert P. Bushey	No	1 Yr
John C. Carney	No	2 Yrs
Wendy Chamberlin	No	1 Yr
Theodore E. Grabowsky	No	3 Yrs
Reginald J. McHugh	No	1 Yr
Joseph C. Sullivan	No	1 Yr

Office of Research

John Armstrong	Yes	2 Yrs
Dennis M. Flint	No	2 Yrs
Michael R. Hadley	No	2 Yrs
Paul J. Heine	No	2 Yrs
David G. Muller	No	2 Yrs
Roger D. Pirkey	No	2 Yrs
Regina L. Porch	No	4 Mos
Mark A. Thomas	No	2 Yrs
Fred A. Schellenberg	No	2 Yrs

Office of Public Affairs

Donald R. Hamilton	Yes	18 Mos

Planning Staff

Kim Graham	No	6 Mos
Paul V. O'Connell	No	2 Yrs

Budget and Legislative Review Staff

Peter R. Dorn	No	2 Yrs
Suzanne Martone	No	4 Mos

Administrative Staff

James D. Heathcote	No	8 Mos
Carolyn A. Hunter	No	4 Mos

Supply Reduction

Jan P. Blanton	No	1 Yr
Michael J. Bregman	No	1 Yr
Lloyd N. Clifton	No	1 Yr
Robert L. Cohen	No	2 Yrs
Carl E. Craig	No	2 Yrs
George R. Heim	No	2 Yrs
Steven M. Hurst	No	1 Yr
Peter L. Nacci	No	1 Yr

Nabalis Nieves	No	2 Yrs
Robert W. Ross	No	1 Yr
John E. Shkor	No	1 Yr
Donald K. Shruhan	No	1 Yr
John F. Wade	No	1 Yr

Demand Reduction

Erwin S. Bloom	No	6 Mos
Stephen A. Dougherty	No	1 Yr

State and Local Affairs

Frederick L. Cohen	No	2 Yrs
Herbert C. Jones	No	1 Yr
Daniel F. Malloy	No	4 Mos
Karen E. McFadden	No	1 Yr
Benjamin Renshaw	No	1 Yr

Regional Offices

Southeast

Peter M. Balonon	No	2 Yrs
Richard L. Cashdollar	No	2 Yrs
William R. Bonelli	No	2 Yrs
Martin H. Daniell	No	2 Yrs
Charles M. Fuss	No	2 Yrs
George E. Gray	No	2 Yrs
Linda A. Mulik	No	2 Yrs
James R. Warchol	No	2 Yrs

Southwest

Terry M. Tromer	No	1 Yr
Carolyn J. Destin	No	1 Yr
James C. Piatt	No	1 Yr
Harry M. Sedan	No	1 Yr

Pacific

Thomas C. Booth	No	2 Yrs
James H. Ferguson	No	2 Yrs
John W. Kime	No	2 Yrs
Dennis W. Pinkstaff	No	2 Yrs
Karen M. Slota	No	2 Yrs
Edward W. Williams	No	2 Yrs

QUESTION: I NOTE IN YOUR JUSTIFICATION THAT YOU HAVE THREE REGIONAL OFFICES LOCATED IN MIAMI, LOS ANGELES, AND HOUSTON. YOUR JUSTIFICATION STATES THAT THESE OFFICES WERE TRANSFERRED TO ONDCP FROM THE FORMER NATIONAL NARCOTICS BORDER INTERDICTION SYSTEM. WILL ANY OF THE NINE ADDITIONAL POSITIONS BE ALLOCATED TO THE REGIONAL OFFICES AND ARE THERE PRESENTLY ANY ONDCP STAFF ASSIGNED TO THESE OFFICES? IF SO, CAN YOU TELL THE COMMITTEE HOW MANY STAFF ARE ALLOCATED TO EACH OF THE THREE OFFICES AND HOW MANY WILL BE ALLOCATED IN FISCAL YEAR 1991?

ANSWER: None of the nine additional positions will be allocated to the regional offices. All employees in the regional offices are detailed from drug control agencies. The current staffing of the regional offices follows. We expect that the staffing requirements will remain at the same level in Fiscal Year 1991. All personnel will be provided on a non-reimbursable basis.

PACIFIC	HOME AGENCY
Regional Coordinator (Part-time)	U.S. Coast Guard
Deputy Regional Coordinator (vacant)	
Staff Director	U.S. Coast Guard
Immigration Specialist (vacant)	
Interdiction Specialist	U.S. Coast Guard
Interdiction Specialist	Customs
Investigations Specialist (vacant)	
Intelligence Specialist (vacant)	
State Operations Specialist (vacant)	
Office Manager	U.S. Coast Guard
Secretary	U.S. Coast Guard

SOUTHEAST	
Regional Coordinator (Part-time)	U.S. Coast Guard
Deputy Regional Coordinator (vacant)	
Staff Director	Customs
Interdiction Specialist	U.S. Coast Guard
Interdiction Specialist	Customs
Investigations Specialist	NOAA
Intelligence Specialist	DOD
State Operations Specialist (vacant)	
Administrative Specialist	U.S. Coast Guard
Secretary	NOAA

SOUTHWEST	
Regional Coordinator (Part-time)	Customs
Staff Director	Customs
Interdiction Specialist	Customs
Immigration Specialist (vacant)	
Investigations Specialist (vacant)	
Intelligence Specialist (vacant)	
State Operations Specialist (vacant)	
Secretary	Customs

QUESTION: WHAT ARE THE COSTS TO OPERATE THE THREE REGIONAL OFFICES IN FISCAL YEAR 90 AND 91?

ANSWER: The costs to operate the regional offices in Fiscal Year 1990 were borne by the agencies which supported the National Narcotics Border Interdiction System (NNBIS). There was no direct expense borne by ONDCP in Fiscal Year 1990.

In Fiscal Year 1991 projected expenses of the regional offices are as follows:

Regional Offices - Projected Expenditures

	PACIFIC	SOUTHWEST	SOUTHEAST	TOTAL
Travel	$ 20,000	$ 20,000	$ 20,000	$ 60,000
Transp. things	1,000	1,000	1,000	3,000
Rent to GSA	40,000	31,820	40,000	111,820
Communic. rent & other utilities	274,640	274,640	274,640	823,920
Printing	1,666	1,666	1,666	5,000

Supplies	3,333	3,333	3,333	10,000
TOTAL	340,639	332,459	340,639	1,013,740

QUESTION: YOUR JUSTIFICATION STATES THAT THE REGIONAL OFFICES ARE BEING STAFFED BY DETAILEES FROM OTHER AGENCIES. CAN YOU PLEASE PROVIDE THE COMMITTEE WITH A LIST OF DETAILEES BY AGENCY ASSIGNED TO EACH OF THE REGIONAL OFFICES INCLUDING WHETHER THE POSITIONS ARE REIMBURSABLE, FOR WHAT PURPOSES THEY HAVE BEEN DETAILED AND FOR WHAT PERIODS OF TIME?

ANSWER: The detail positions are non-reimbursable, all were obtained for technical expertise in the area of supply reduction drug control.

Southeast - 2 Year Assignments

NAME	AGENCY	PURPOSE
Peter M. Balonon	USCS	Staff Director
Richard L. Cashdollar	USCG	Interdiction Specialist
William R. Bonelli	USCS	Interdiction Specialist
Martin H. Daniell	USCG	Regional Coordinator
Charles M. Fuss	NOAA	Investigations Specialist
George E. Gray	USCG	Administrative Specialist
Linda A. Mulik	NOAA	Secretary
James R. Warchol	DOD	Intelligence Specialist

Southwest - 1 Year Assignment

Terry M. Cromer	USCS	Interdiction Specialist
Carolyn J. Destin	USCS	Secretary
James C. Piatt	USCS	Regional Coordinator
Harry M. Sedan	USCS	Staff Director

Pacific - 2 Year Assignments

Thomas C. Booth	USCG	Interdiction Specialist
James H. Ferguson	USCG	Staff Director
John W. Kime	USCG	Regional Coordinator
Dennis W. Pinkstaff	USCS	Interdiction Specialist
Karen M. Slota	USCG	Secretary
Edward W. Williams	USCG	Public Affairs/Office Manager

QUESTION CONCERNING REGIONAL OFFICES FROM SENATOR DECONCINI (OSR#35)

QUESTION: Your justification states that the three Regional Offices located in Miami, Houston and Los Angeles provide liaison with local governments. Why is this local liaison necessary and why can't this function be carried out through the Associate Director for State and Local assistance?

ANSWER: The ONDCP Regional Offices presently serves as a regional ONDCP point of contact for coordination of supply reduction programs conducted within the region. It also serves as a "honest broker" and "information clearinghouse" within the region.

As you know, all three Regional Offices are located within metropolitan areas that are exclusively or within named High Intensity Drug Trafficking Areas (HIDTA). The Regional Offices are in the ideal position to monitor the effectiveness of law enforcement operations and expenditures in the HIDTA and report back those operations and programs that are successful and susceptible to replication by other agencies and in other locations.

The regional offices support the activities of the Associate Director for State and Local Affairs among others. The consequence of regional location is enhanced access to the ONDCP for State and local representatives.

QUESTION:

If the three regional offices do not receive funding in FY 91, what impact will this have on your operations?

ANSWER:

ONDCP contemplates that regional offices will continue to be staffed on a non-reimbursable basis by agency detailees. Accordingly, no funds have been requested for this purpose for FY 91. However, ONDCP has requested $1 million in its FY 1991 budget to cover the costs for office equipment.

QUESTION: **THE COMMITTEE JUST RECENTLY APPROVED A REQUEST FROM YOUR OFFICE TO INCREASE TRAVEL COSTS IN FY 90 FROM $225,000 TO $450,000. I SEE IN YOUR '91 REQUEST YOU ARE PROPOSING TO INCREASE TRAVEL AGAIN BY $176,000 BRINGING YOUR TOTAL TRAVEL BUDGET UP TO $626,000. CAN YOU PLEASE GIVE THE COMMITTEE A DETAILED EXPLANATION AS TO WHY THIS 39 PERCENT INCREASE IN TRAVEL IS NECESSARY?**

ANSWER: This increase in the travel budget is necessary to provide for the level of travel required by the Director, Deputy Director for Supply Reduction, the Deputy Director of Demand Reduction, and the Associate Director for State and Local Affairs, as well as for a full complement of ONDCP staff travel, occasional invitational travel, and local staff travel.

The original FY 90 travel estimate was based upon information gathered from partial year start-up operations of ONDCP, and proved to be inadequate to meet the Director's and Deputy Director's pledge to visit all 50 states within the first year of ONDCP operations, and remaining agency travel requirements. The increased FY 91 travel allocation will be used to maintain the current level of senior staff travel, and to support a higher level of staff travel.

As the agency responsible for drafting the National Drug Control Strategy and coordinating the budgets of 45-50 different drug control agencies and accounts, we believe that staff travel is critical to our understanding of drug control agency operations and budget requirements, and to the success of the High Intensity Drug Trafficking Area programs.

The FY 90 travel budget has been allocated as follows:

OFFICE	FY 90
Office of the Director (includes Chief of Staff, National Security Affairs Liaison/ Office of Research, General Counsel, Public Affairs, Congressional Relations, Security)	$ 175,000
Office of Supply Reduction	70,000
Office of Demand Reduction	70,000

Bureau of State and Local Affairs	90,000
Office of Planning, Budget, and Administration	15,000
Advisory Committee	15,000*
Local Travel	15,000
TOTAL	$450,000

*To be reimbursed

QUESTION: YOUR JUSTIFICATION STATES THAT YOU INTEND TO ALLOCATE FUNDS FOR BOTH DOMESTIC AND INTERNATIONAL TRAVEL FOR THE DIRECTOR AND EACH ASSISTANT DIRECTOR IN FY 91 AND THAT THIS AMOUNT INCLUDES THE COSTS OF ADDITIONAL SECURITY. CAN YOU GIVE THE COMMITTEE ESTIMATES OF TRAVEL COSTS ANTICIPATED FOR FY 91 BROKEN OUT BY DOMESTIC, INTERNATIONAL TRAVEL AND SECURITY?

ANSWER: We are currently spending 9% of our FY 90 travel funds on security-related travel. Currently 97% of our FY 90 travel funds is spent on domestic travel and 3% of our FY 90 travel funds is spent on international travel.

Based upon our most recent projections, we anticipate spending 10% of our FY 91 travel funds, or $62,600 on security-related travel. We anticipate spending 95% of our FY 91 travel funds, or $594,700 on domestic travel and 5% of our FY 91 travel funds, or $31,000 on international travel.

QUESTION: WHAT ARE THE ANTICIPATED COSTS FOR REGIONAL OFFICE TRAVEL AND HOW DOES THE '91 ESTIMATE COMPARE TO '90? WHY CAN'T THESE COSTS BE BORNE BY THE AGENCIES WHICH EMPLOY THE DETAILEES WHO ARE ASSIGNED TO THESE OFFICES?

ANSWER: It is anticipated that $20,000 would be allocated for travel by each regional office in FY 91, for a total allocation of $60,000 for regional office travel. Travel expenses for these offices were borne by their supporting agencies in FY 90 and ONDCP does not have FY 90 supporting agency expense information at this time. Inasmuch as ONDCP has planned to bring these offices into the ONDCP budget in FY 91, it was felt that ONDCP should bear their travel expenses in FY 91.

QUESTION: AS YOU KNOW, IN THE FISCAL YEAR 1990 TREASURY APPROPRIATIONS BILL, THE COMMITTEE INCLUDED A PROVISION ALLOWING THE ONDCP TO IDENTIFY AND OCCUPY OFFICE SPACE MORE SUITABLE TO ITS NEEDS. CAN YOU PROVIDE THE COMMITTEE WITH AN UPDATE ON YOUR RELOCATION PLANS?

ANSWER: In October 1989, upon receiving Congressional approval to relocate, ONDCP and GSA reviewed several potential office locations. A space was identified, GSA began lease negotiations, and ONDCP began space design. It is anticipated that a lease will be signed by GSA on our behalf in late March for 30,000 sq. ft. in close proximity to the White House complex. Construction plans are nearing completion, space build-out is expected to take approximately 90 days, and our relocation is anticipated in July.

QUESTION: IN FY 90 YOU ANTICIPATE RECEIPT OF $500,000 IN GIFTS AND DONATIONS AND THIS AMOUNT IS EXPECTED TO INCREASE TO $1,000,000 IN FY 91. CAN YOU EXPLAIN TO THE COMMITTEE HOW YOU EXPECT TO USE THESE FUNDS?

ANSWER: ONDCP expects to use these funds to support the operations, activities, and projects of the President's Drug Advisory Council, and special projects of interest to the Director, ONDCP. The President's Drug Advisory Council will assist ONDCP in the development, dissemination, explanation and promotion of National Drug Control policy. The advisory council is still in a formative stage at this time, having had its first meeting in March of this year.

QUESTION CONCERNING RURAL DRUG FUNDING FROM SENATOR DECONCINI

QUESTION: What about State and local law enforcement? Will they be eligible for any of these funds?

ANSWER: No. The funds proposed for the ADP initiative are all intended for Federal law enforcement agencies. Funding for ADP assistance to State and local law enforcement agencies is provided through the Bureau of Justice Assistance grant program. The Administration is requesting $492 million for this grant program in FY 1991.

QUESTION:

Mr. Director, your drug strategy states that "the challenge to U.S. Law Enforcement, working closely with industry, is to develop improved technologies to detect drug shipments before they reach our cities and neighborhoods." I want to say that I couldn't agree more. For Customs inspectors who search large cargo containers for contraband, it's like looking for a needle in a haystack. I know the technology is out there because I have had industry in my office seeking funding in the Customs budget for the purpose of cargo scanner equipment. However, I don't see any new funding in the budget for this initiative. Can you tell me what funds are being requested and at what stage we are in our procurement technology?

I know Customs has had research and development initiatives ongoing for the past several years. But, this technology is going to cost a lot of money. Do you have any ideas how the Customs Service can attain the needed technological capabilities within existing resources?

ANSWER:

For FY 1991, we are requesting $383.2 million for drug-related research and development, the largest portion being devoted to treatment and prevention. This represents over $65 million increase the current fiscal year.

Given the limited funds with which to work, our objective is to know more about "what works" in criminal justice and enforcement technology so that we do not waste funds on programs that do not work well. For that reason the ONDCP Research and Development Committee is looking for new and innovative methods to increase affectiveness and efficiency of supply reduction programs.

We are identifying ways to purchase equipment at a lower cost, determining what is needed rather than what would be the ultimate tool, and eliminating unproductive or duplicative R&D efforts. By standardizing equipment specifications and bringing more producers into the law enforcement market, we can cut costs and coordinate our needs across agencies. This will enable all enforcement agencies to attain the necessary technology within existing resources.

QUESTION: WHEN DO YOU ANTICIPATE MOVING FROM YOUR PRESENT LOCATION AND WHAT PROBLEMS YOU HAVE ENCOUNTERED, IF ANY?

ANSWER: GSA has been extremely supportive in the effort to relocate our offices. This project has received their continuing attention, enabling us to relocate in a relatively short period of time. We expect the lease to be signed in late March 1990, and we expect to relocate in late July 1990. We have encountered few problems.

QUESTION: Your drug strategy indicates that to improve your oversight of agency drug control budgets your are establishing a programming and budgeting system in ONDCP. Yet in your '91 budget submission, I see no reference to this system. What is the current status of the programming and budgeting system, what are its capabilities and how much money is being allocated to this system in fiscal year '90 and '91?

ANSWER: The system is still under development. We anticipate that, when completed, it will enable us to better relate agency funding proposals to the objectives and goals in the Strategy. It is being designed by our budget staff to operate on our existing personal computers. No separate resources have been allocated for it either in the FY 1990 or FY 1991 budgets.

QUESTION:

Your authorization anticipated the use of funds for research purposes. Can you tell us what research you plan to undertake in FY 90 including costs as well as explain the research contracts you propose to let in FY 91? How much money is budgeted in FY 91 for research purposes?

ANSWER:

The Governmentwide Fiscal Year 1991 Drug Program Budget requests $383 million in research funds of which $366 million supports demand-related research and $47 million supports supply-related research. Thus, while ONDCP does not plan to direct fund research and development, it leverages a substantial research and development effort because of its role as coordinator of drug policy. In Fiscal Year 1990, ONDCP plans approximately $200,000 for research. Because of the large expenditure of funds required to address security needs, most of the $1 million which had earlier been identified for research in FY 90 was redirected to security.

No funds are planned for research in Fiscal Year 1991. However, through our Research and Development Committee, we plan to monitor and coordinate a substantial Federal research effort in Fiscal Year 1991.

QUESTION: I DO NOT SEE ANY NON-RECURRING COSTS FROM FY 90 ITEMIZED IN YOUR FY 91 BUDGET. PLEASE PROVIDE THE COMMITTEE WITH A DETAILED BREAKDOWN OF COSTS WHICH NON-RECUR IN FY 91.

ANSWER: Non-recurring costs in FY 90 are related to our move to a new office location. These items follow:

Object Class	Amount	Description
1. 22.0	$50,000	Moving contractor for relocation
2. 23.0	$500,000	Above-standard build-out costs
3. 25.0	$185,000	Telephone system for new building

4. 25.0	$153,900	Service portion of Interagency Agreement with EOP
5. 31.0	$ 80,000	Security System for new building
6. 31.0	$ 10,000	Exit costs from current building
Total	$978,900	

QUESTION: Please provide for the record copies of the Executive Branch Reorganization Study, the Department of Justice Reorganization Study, and the Report of the Use of Existing Research and Development Facilities for Law Enforcement.

ANSWER:

A copy of each report is attached.

[CLERK'S NOTE.--These reports prepared by the Office of National Drug Control Policy have been provided for the record and are on file with the subcommittee. Copies of the reports can be obtained upon request.]

QUESTIONS SUBMITTED BY SENATOR BYRD

QUESTION CONCERNING ANTI-DRUG ABUSE TRAINING REQUIREMENTS FROM SENATOR ROBERT C. BYRD

QUESTION: Last year, in response to questions I posed regarding training needs for law enforcement officers involved in fighting the war on drugs, you indicated that you were not yet prepared to comment on the existing training program, but that you would monitor the training situation carefully. Have you now been able to make an assessment of training requirements for anti-drug abuse law enforcement personnel and what are your conclusions?

ANSWER: ONDCP recognizes the importance of training law enforcement officers in drug enforcement programs. Each State has training standards in this area, but the Drug Enforcement Administration plays a very important central role by providing expert drug and intelligence training to International, Federal, State and local officers. At the FBI'S National Academy at Quantico, Va., the DEA provides a 15 week basic agent training course for new DEA trainees, an 8 week State and local course and several specialized training courses such as Asset Removal, Clandestine Labs, Drug Commanders Seminar, etc. Also, DEA provides a two week training to State and locals in the field. DEA conducts training for international officials both at Quantico and throughout the world.

The Federal Law Enforcement Training Center at Glynco, Georgia is directed by the Department of Treasury and serves 62 Federal law enforcement organizations. The major training effort at FLETC is in basic law enforcement skills, but FLETC reports that one-third of the budget is devoted to drug programs, i.e., drug awareness and identification, search warrants, laws, self defense and other essential courses to prepare officers to deal with drug-related crime. In addition, FLETC plans to provide drug related training to approximately 1300 State and local officers during FY-90.

QUESTION CONCERNING THE NEED FOR NEW MODERN TRAINING FACILITIES FOR LAW ENFORCEMENT OFFICERS FROM SENATOR ROBERT C. BYRD

QUESTION: In the past, I have emphasized my support for the construction of a new modern facility for DEA, State, local and international law enforcement officers in order that these officers can receive the best training necessary to permit them to assume their difficult and dangerous positions. I have also encouraged the consideration of the Eastern Panhandle of west Virginia as an ideal location for such a facility. What are your views on this matter?

ANSWER: The National Drug Control Strategy calls for federal drug enforcement officials to provide training and technical assistance to local police and investigators so that they can bring a higher level of sophistication and expertise to their activities. The Department of Justice has developed plans to expand the current facilities of the FBI's National Academy at Quantico, Va. New modern facilities are needed to continue providing the best possible training required to assume the difficult task of drug law enforcement.

The Federal Law Enforcement Training Center at Glynco, Georgia and the satellite facilities at Arizona and New Mexico will be receiving increased funding during FY-90 and FY-91 for drug-related construction and programs.

QUESTIONS SUBMITTED BY SENATOR KERREY

QUESTION CONCERNING LAW ENFORCEMENT FUNDING FROM SENATOR KERREY

QUESTION:

On pages 7-8 of the budget summary of the National Drug Control Strategy, $10.6 billion is identified as the fiscal 1991 request. Of that $10.6 billion, it appears as if about 70% of that funding is related to law enforcement. Is that an accurate interpretation of the figures and does that reflect your priorities in drug control?

ANSWER:

Roughly 71 percent of the FY 1991 budget request is directed at activities related to supply reduction. One should not conclude that we feel that supply reduction is intrinsically more "important" than demand reduction. Federal spending is more weighted to the supply side because of several factors. First, supply activities are, by their nature more expensive than demand activities. Many times they require the purchase of high tech items or other expensive equipment. Second, there are several supply-related activities, such as foreign aid and interdiction, that can only be conducted by the Federal Government. Finally, this extreme distinction between "supply" and "demand" is, I believe, an artificial one. Many supply-related activities, such as keeping drug dealers off the streets, have the beneficial effect of making it easier for recovering addicts to avoid a relapse --an obvious demand-related benefit. So if we divide too carefully the lines between demand and supply, we diminish the possibility of having an integrated anti-drug strategy.

QUESTION: The *National Drug Control Strategy* highlights the need to rid the workplace of drugs. It mentions Federal efforts to achieve a drug-free workplace and support for private efforts to do the same.

Given this, why have you not included in the drug budget the full cost of the Federal Government's drug testing and employee assistance programs?

What is the cost of the Federal Government's drug-free workplace program in fiscal year 1990 and what amount is included in the President's fiscal year 1991

ANSWER: The diversity with which agencies fund drug testing programs makes it difficult to assess the full cost of drug testing. For example, some departments have central funds which they use to cover drug testing costs for all their bureaus, including non-drug bureaus. Other agencies require that their bureaus fund drug testing directly.

We were unable to gather the data on the full program costs of drug testing in time for inclusion in our FY 1991 budget submission. However, we have since collected the data and it is summarized in the table below. It includes testing of both civilian and military personnel and all drug and non-drug agencies. (The number tested exceeds the total number of designated positions because DoD tests military personnel more than once a year.)

ESTIMATED DRUG TESTING PROGRAM RESOURCES
(BA in Millions)

	1989	1990	1991
Budget Authority	$70.7	$85.1	$87.0
Testing Designated Positions	2,530,835	2,504,904	2,469,027
Number Tested	3,954,048	4,007,811	4,071,687

We are requesting that each agency provide, as part of its budget submission to ONDCP, detailed information about its drug-testing program beginning with the FY 1992 budget process now underway. This information will enable us in future submissions to incorporate drug-testing resources in the total Federal drug program for all agencies.

QUESTION CONCERNING FUNDING FOR NEBRASKA FROM SENATOR KERREY

QUESTION: On pages 7-8 of the budget summary of the National Drug Control Strategy, you listed by department and divisions within departments of estimated fiscal 1990 funding and the fiscal 1991 request. I would like information in the same form for the State of Nebraska for fiscal 1990 and for 1991 to the extent it is available. I would like a summary of how you expect these budget allocations to address the problems and priorities of drug control in my State.

ANSWER: As you know, the Office of National Drug Control Policy is mainly concerned with shaping Federal anti-drug policy. We do not have direct operational control of personnel within each of the Federal departments and agencies. Congress intended that we approve and certify overall budget requests from the agencies, but not that we micro-manage agency resources. Therefore, we do not assemble detailed information for every State on what portion of Federal resources are spent in each State. Most of those choices are made by the agency heads themselves. Therefore, such information may be available from the agencies themselves. I can tell you, however, that Federal funding for Nebraska in the three major anti-drug block grants (law enforcement, treatment, and education) jumped from approximately $4.3 million in 1989 to $8.2 million in 1990. Our request for 1991 would again raise Nebraska's allocation for these programs by another 10 percent. We hope these resources would be used to fund the most effective programs.

QUESTION CONCERNING EDUCATION FROM SENATOR KERREY

QUESTION: A recent New York Times article carried a headline, "Bennett Asserts Drug Education Isn't Key." Could you expand on your position regarding the role of education in efforts to control and eliminate drug use?

ANSWER: I believe that education can be the key to the issue of prevention if we understand education correctly. I do not endorse the view that education understood only as a program of anti-drug courses can inoculate our children from the temptations of drug use.

The fact remains that many students who have taken drug education courses have later gone on to use drugs. All evidence suggests that simply presenting information to students does not steer them away from drug use -- if anything, well-packaged information on drugs can actually pique youthful curiosity. The most encouraging signs today come from drug education programs that stress peer resistance: learning how to say no to peers.

Additionally, it is imperative to remember that drug education does not end at the school door. It takes place every day in the home, the church and the community. And, effective law enforcement can play a vital role in drug education by providing a safe environment for learning and a better understanding of civility, order, and responsibility.

QUESTION CONCERNING RURAL FUNDING FROM SENATOR KERREY

QUESTION: Mayors in several cities in my State have complained, as has the Conference of Mayors, that cities are not getting sufficient funding for drug control. I have heard that rural areas cannot even get DEA agents. Geographically, where is the money going? Where is the $9 billion appropriated for fiscal 1990? In your opinion, what type of allocation should there be between urban and rural areas?

ANSWER: We certainly have equal concern for the problems that drugs have brought to rural areas and urban areas. Consequently, this Administration has demonstrated its commitment to the anti-drug efforts at the local level by providing significant increases to State and local law enforcement, education, and treatment. Specifically, for FY 1990 State and local law enforcement grants have increased to over $445 million, almost 200% over the previous fiscal year, while Drug Free Schools and Communities educational block grants have increased from $288 million to over $462 million, and ADAMHA block grants have increased from $259 million to $448 million. This represents a significant Federal commitment to funding the efforts at the State and local level. For Nebraska, Federally-funded state and local law enforcement grants increased from $1.1 million in FY 1989 to over $3.2 million in FY 1990.

QUESTION CONCERNING COCAINE TREATMENT FROM SENATOR KERREY

QUESTION: Last year, there was some discussion of whether or not we knew what the most effective treatments for cocaine and crack abuse were. Do we now know what treatments work best? Where is the most promising research?

ANSWER: While there is a great deal more we need to know about treatment effectiveness, there is a great deal we know already. We know that both residential and outpatient drug treatment help cocaine addicts. Their odds of recovery are much better if they get treatment than if they do not.

However, we also have learned from experience that treatment does not seem to work as well for today's cocaine addicts as it does for addicts of other drugs like heroin, marijuana, amphetamines and barbiturates or for alcoholics.

For treatment of cocaine addiction residential care -- at least for a short period of time -- is more appropriate for severely addicted cases, and where an individual has a history of criminal behavior. Outpatient treatment is more appropriate where an individual has not used cocaine for as long or as intensively, and where they have a home, family and friends to support their recovery.

Considering that cocaine has only been recognized to present significant problems in treatment since the early 1980's, research has made great progress. There are now a handful of pharmaceutical agents that show promise in reducing craving -- desipramine, flupenthixol, amantadine and buprenorphine among others. These drugs are now in various stages of clinical trials.

A key part of the National Strategy is the formulation of a distinct Medications Development Division at the National Institute on Drug Abuse. This Division has primary responsibility for managing the Federal research effort on pharmaceutical agents for treating cocaine addiction as well as other addicting drugs. A major objective of the Division is to encourage private sector work on drugs for treatment--both universities and pharmaceutical companies.

QUESTION CONCERNING THE NATIONAL SURVEY ON DRUG ABUSE FROM SENATOR KERREY

QUESTION: For the record, could you provide an explanation of the NIDA sampling approach, i.e., what kind and how large a sample is used, what questions are asked, how is the survey conducted, how are the results tabulated?

ANSWER: The National Household Survey on Drug Abuse obtained over 8,000 completed interviews with individuals age 12 and above across the 48 contiguous States in 1988. The sample is scientifically designed to produce valid estimates of drug use for the nation and four major regions, as well as across major demographic (age and gender) and ethnic groups (Hispanic, Black, and White).

The primary focus of the survey is on individual patterns of drug use, both current and lifetime. A similar sequence of questions is asked for each of the major drugs of abuse, including licit drugs which may be diverted from legitimate use or used improperly by individuals that have legitimate prescriptions. Further questions examine consumption of alcoholic beverages and tobacco products. Socio-demographic information is requested in order to allow prevalence estimates to be compiled for important sub-groups of the population.

The survey and analysis are performed by independent contractors selected under competitive procurement. The survey is conducted in person and in a way that provides maximum assurance of confidentiality to the respondents. It has been found that in the study of sensitive subjects the degree of confidentiality affects respondent willingness to participate, and to respond to particular questions. The contractors obtain the interview with all identifiers removed.

The Administration will be making improvements to the estimates by increasing the sample size of the survey, and by performing special studies of critical and hard to reach groups such as the homeless, and criminal justice populations. The larger sample size will provide better estimates of drug use in subpopulations (e.g., by age, gender, and ethnicity). The special populations are believed to be at high risk of having drug problems, and are hard to identify for sample surveys.

QUESTION CONCERNING TREATMENT COSTS FROM SENATOR KERREY

QUESTION:

GAO has indicated that housing those incarcerated for drug crimes can cost more than $50,000. Reports in my State indicated that short-term private treatment runs about $6-10,000. What figures does your office use for the cost of (a) incarceration, (b) private treatment, (c) publicly funded treatment?

ANSWER:

(a) In 1990, we estimate that Federal prisons will house an average daily population of 56,400 prisoners (53% of which are drug-related) at an average cost of $48.85 per prisoner per day.

(b) Our office does not use any specific figures regarding private treatment. We are asking the Department of Health and Human Services to provide us with more detailed data which will enable us to determine the cost and efficiency of private sector treatment.

(c) According to the 1989 National Drug and Alcoholism Treatment Unit Survey, the average cost per slot in 1987 equalled $4,000. The figures used by ADAMHA for 1990 analysis were based on a $5,000 per slot calculation. A slot may serve the treatment needs of 1-3 persons depending on the length and type of treatment required.

QUESTION CONCERNING PRISON POPULATION FROM SENATOR KERREY

QUESTION: **With the additional incarcerations which should result from increased law enforcement efforts, what are your estimates of the prison population for 1993? 1995?**

ANSWER: Based on the Bureau of Prison's statistics, the 1993 Federal prison population is estimated at 77,000 and for 1995, 95,100.

QUESTION CONCERNING HIGH INTENSITY DRUG TRAFFICKING AREAS FROM SENATOR KERREY

QUESTION: **Five areas were recently designated as high intensity drug trafficking areas. Why was the District of Columbia not included?**

ANSWER: While the District has a serious drug problem, it is not a production, manufacturing, or importation center of illegal drugs and does not, therefore, meet the Congressional intent of Section 1005 3(B)(c) of PL 100-690. For this reason, the District of Columbia was not designated a High Intensity Drug Trafficking Area.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

QUESTION 1 (on NATIONAL COMMISSIONS) FROM SENATOR DOMENICI

QUESTION:

The budget justification indicates that most funding for the National Commission on Drug-Free Schools will be provided by the Department of Education since ONDCP lacks the funds to support this project. Where is the rest of the funding required for this project coming from?

ANSWER:

The National Commission on Drug-Free Schools which began in August 1989 will issue its report in the fall of 1990. Approximately $1 million (the total cost of the Commission) was provided in the 1990 budget to the Department of Education for the Commission. Once its report is submitted, the Commission will be disbanded.

QUESTION: **Who is providing funding to support the National Commission on Measured Responses to Achieve a Drug-Free America By 1995? (If no one, why isn't the required funding included in your Fiscal Year 1991 request?)**

Has this commission been established? When is it expected to submit its report?

ANSWER: Funding was not provided for this commission in the 1990 budget nor is it requested in the 1991 budget submitted by the President to Congress. The Commission is not considered a funding priority in the President's National Drug Control Strategy. At such time that funds are appropriated specifically for this purpose, the President will establish the Commission and charge its members with the task of submitting a report to Congress.

QUESTION: THE FISCAL YEAR 1990 APPROPRIATIONS ACT INCLUDES A PROVISION TO ADDRESS THE HOUSING SITUATION OF THE OFFICE OF NATIONAL DRUG CONTROL POLICY. SPECIFICALLY, IT AUTHORIZES THE DIRECTOR IN COOPERATION WITH THE ADMINISTRATOR OF GSA TO SELECT A SITE NOT TO EXCEED 30,000 OCCUPIABLE SQUARE FEET TO MEET THE MISSION AND SECURITY REQUIREMENTS OF THE OFFICE OF NATIONAL DRUG CONTROL POLICY.

WHAT STEPS HAVE YOU TAKEN TO RELOCATE YOUR OFFICE TO MORE SUITABLE SPACE IN ACCORDANCE WITH THIS PROVISION OF LAW?

ANSWER: In October 1989, upon receiving Congressional approval to relocate, ONDCP and GSA reviewed several potential office locations. A space was identified, GSA began lease negotiations, and ONDCP began space design. It is anticipated that a lease will be signed by GSA on our behalf in late March for 30,000 sq. ft. in close proximity to the White House complex. Construction plans are nearing completion, space build-out is expected to take approximately 90 days, and our relocation is anticipated in July.

GSA has been extremely supportive in the effort to relocate our offices. This project has received their continuing attention, enabling us to relocate in a relatively short period of time.

QUESTION: I ASSUME THE REDUCTION IN THE "TRANSPORTATION OF THINGS" AND "RENTAL PAYMENTS" BUDGET OBJECT CLASSIFICATIONS BETWEEN FISCAL YEARS 1990 AND 1991 RESULTS FROM THIS RELOCATION OCCURRING BEFORE THE END OF FISCAL YEAR 1990; IS THAT CORRECT? IF SO, WHAT IS THE DIFFERENCE BETWEEN FISCAL YEARS 1990 AND 1991 IN RENTAL PAYMENTS REQUIRED FOR ONDCP'S OFFICE SPACE IN WASHINGTON, D.C.?

ANSWER: The reduction in the Transportation of Things and Rental Payments object classes does reflect a relocation occurring before the end of Fiscal Year 1990. Although our projections in the budget request reflected an anticipated move in April 1990, the actual move is now scheduled to occur in July 1990. The decrease between Fiscal Years 1990 and 1991 in rental payments required for ONDCP's office space in Washington, D.C., is primarily accounted for by the one-time expense of space build-out above GSA standard (security requirements including a small secure compartmented information facility) in FY 1990. ONDCP expects to experience an increase in rental rate per sq. ft. in the new location; however, the amount of square footage authorized by Congress will represent a decrease of 10,000 sq. ft. from our currently occupied space.

QUESTION CONCERNING ACCOUNTABILITY OF TREATMENT PROGRAMS FROM SENATOR DOMENICI

QUESTION: You are continuing to advocate legislation proposed by the administration last year to condition receipt of federal treatment funds on development and implementation of a coordinated state-wide treatment plans. You indicate this would allow federal funds to be targeted to areas of greatest need and hold treatment programs accountable for their results.

At the same time, the strategy indicates that we lack a great deal of information about the long-run results of treatment and rehabilitation regimens for certain drugs. Given this, you have

proposed funding for a number of demonstration projects, data collection, research and evaluation efforts.

If these gaps exist in our current information on the effectiveness and results of treatment, how can we hold the states accountable for the results of treatment programs?

ANSWER: The State Treatment Action Plans call for accountability of the States in the broadest sense. Each State would be responsible for a comprehensive assessment of the needs for treatment in the State, and then for planning how the State can best use its resources to meet those needs.

States have the primary responsibility for identifying populations and regions with needs for treatment and for directing resources to those needs. States should and will be asked to address such questions as how great are the needs for publicly subsidized treatment for adolescents, pregnant women, referrals on probation and parole. What level of resources are allocated to the identified populations? What is the reasoning behind the State strategy?

The role of the federal government will be in reviewing and approving or disapproving the plan submitted by each State for spending their federal funds.

We know that some States now monitor outcomes achieved by programs and use these judiciously in managing the treatment system. Moreover, each of the States has certification standards for programs. Among these are client/staff ratios, staffing patterns, frequency of client-staff contacts, and monitoring of client drug use. In addition, although treatment for crack cocaine is still in a great deal of ferment, much more is known about treatment for narcotic addiction and what can lead to better outcomes.

QUESTION CONCERNING EVALUATION CRITERIA FOR TREATMENT PROGRAMS FROM SENATOR DOMENICI

QUESTION: Is there currently sufficient information available on the outcome of treatment to develop criteria or standards to measure the effectiveness of drug treatment programs?

ANSWER: States are increasingly collecting outcome data from their programs, and are beginning to use it in the management of their treatment systems. NIDA and OTI are examining the extent to which States have this information, and will analyze how consistent the data is across States.

With intensive study it will be possible to develop evaluation criteria and standards. It is likely that standards will need to be tailored to individual States, and then applied judiciously, since program operations and data collection depend on specific State statutes and circumstances (e.g., funding per client). Moreover, the composition of program client populations can have a real and large effect on outcomes.

QUESTION CONCERNING HOW MUCH TREATMENT IS NEEDED FROM SENATOR DOMENICI

QUESTION: How much of the existing need for treatment services will be met by the additional funding you have proposed for fiscal year 1991?

ANSWER: Although we do not actually know how much treatment will be enough, the Administration's proposed 68 percent increase in federal treatment expenditures from $890 million in FY 1989 to $1.5 billion in FY 1991 should go a long way toward bringing availability of treatment more in line with demand. At the same time, however, we need to improve quality and effectiveness of treatment, find ways to keep people in treatment long enough for them to benefit, and bring addicts into the treatment system who may not do so on their own initiative.

QUESTION CONCERNING RESEARCH AND DEVELOPMENT FROM SENATOR DOMENICI

QUESTION: **Are DOD and DOE involved in the federal research and development facilities plan? Would you please provide for the record a list of the federal department and agency representatives serving on the science and technology committee?**

ANSWER: The Department of Defense and Department of Energy are included as members or associate members on the S&T Committee. They are both actively involved in the process of determining how their R&D facilities can be helpful in solving the LEA technological requirements.

Committee Members

Deputy Director for Supply Reduction, ONDCP, Chairman

Deputy Assistant Secretary of Defense for Drug Policy and Enforcement, Vice-chairman

Senior Policy Analyst, ONDCP, Executive Director

Director, Office of Enforcement Support, U.S. Customs Service, Technical Advisor to the S&T Committee

Assistant Director, Technical Services Division, Federal Bureau of Investigation, ADP Working Group Chairman

Chief, Applied Sciences Branch, U.S. Customs Service, Contraband Detection Working Group Chairman

Special Assistant, Telecommunications Systems Division, U.S. Coast Guard, Communication Interoperability Working Group Chairman

Special Assistant, Technology Development Unit, Drug Enforcement Administration, Taggant Working Group Chairman

Chief, Engineering Section, Federal Bureau of Investigation

Chief, Technical Operations Section, Drug Enforcement Administration

Manager, Aviation Security Technology Branch, Federal /aviation Administration

Chief, Office of Command, Control, and Communications, U.S. Coast Guard

Special Agent, Technical Service Division, U.S. Secret Service

Special Assistant to the Director, Counter-narcotics Center, Central Intelligence Agency

Director, Research and Development, Immigration and Naturalization Service

Special Assistant, Office of the Under Secretary for Acquisition, Department of Defense

Chief, Systems and Records Division, Bureau of Alcohol, Tobacco and Firearms

Assistant Secretary of Agriculture for Natural Resources and Environment

Assistant to the Attorney General

Special Assistant, Department of State International Narcotics Matters

Special Assistant, United States Marshals Service

Director of Management, U.S. Department of the INterior

Special Assistant, Enforcement Division, Department of the Treasury

Committee Associate Members

Department of Energy

Defense Communications Agency

Defense Advanced Research Project Agency

National Institute on Drug Abuse

QUESTION CONCERNING THE SCIENCE AND TECHNOLOGY COMMITTEE FROM SENATOR DOMENICI

QUESTION: **Has the Science and Technology Committee begun the process of collecting and prioritizing the requirements of law enforcement agencies, both federal and state and local? What is the time-frame for completing this process? How will these requirements be made available to the federal research and development facilities?**

ANSWER: The S&T Committee has compiled a list of the top requirements from each Federal Law Enforcement Agency. This has resulted in a document titled Law Enforcement Agency Technical Requirements for Review By Federal Research and Development Facilities. This document was mailed to over 100 facilities on 5 February 1990.

The process of identifying LEA requirements will be a continuing process. It is expected that this initial list will be followed by several companion documents listing less critical requirements.

On 17 through 19 April 1990, ONDCP will host the first of a series of workshops to begin the process of matching technologies to LEA requirements. Those requirements which can be satisfied with on-the-shelf hardware will be addressed by the appropriate agencies in their procurement process. Others, where more research will be required, will take longer to solve. The most difficult may take several years to develop promising technology.

QUESTION CONCERNING RESEARCH AND DEVELOPMENT FROM DOMENICI

QUESTION: How will the capabilities of existing U.S. facilities be matched with the research, development, technology, and evaluation support requirements of law enforcement agencies?

ANSWER: The answer to your second question provides specifics on the process outlined in the November 15, 1989, report to Congress. An outline of how that will occur on a recurring basis follows:

* LEAs identify their requirements which have not been previously addresses.

* ONDCP compiles LEA requirements and provides them to the Federal R&D Community.

* Federal R&D Facilities respond to identify areas where they may be able to provide assistance.

* ONDCP hosts workships to refine the definition of the LEA requirements so that the R&D community can better identify how they can be of assistance.

* Federal R&D Facilities formally respond on what technologies they have either developed or are in the process of developing that may solve specific LEA requirements.

* S&T Committee Working Groups evaluate FRDF proposals and recommend to the S&T Committee appropriate courses of action.

* ONDCP and the S&T Committee investigate funding alternatives.

* Departments/Agencies submit budget proposals for desired R&D efforts or procurement of developed capabilities.

* Repeat process as required.

QUESTION: Will a contractor be used to assist in the process of prioritizing the requirements of the law enforcement agencies and to evaluate whether the capabilities, technologies, and expertise available at the federal facilities to match these requirements? If so, why? What specifically is the contractor tasked to do?

ANSWER: A contractor will be used to assist in the process of coordinating responses to the Requirements Plan. This is particularly critical during our initial efforts at organizing and conducting workshops, and for cataloging Federal Research and Development Facilities' responses.

S&T Committee effort to capitalize on the Federal Research and Development Facilities is only the first step in our strategy. We still need to incorporate State and Local agency requirements, and to bring industry and academia support to bear on our overall research and development goals.

QUESTION CONCERNING THE SPECIAL FORFEITURE FUND FROM SENATOR DOMENICI

QUESTION: The fiscal year 1990 appropriations act authorizes the use of up to $115 million in balances available in the special

forfeiture fund for federal prison construction, in accordance with your proposed use of these monies.

For which prison construction projects are these funds being allocated? How much is being allocated to each?

ANSWER: Congress appropriated an amount not to exceed $115 million for the Special Forfeiture Fund in FY 1990. Based on current projections of collections/deposits/receipts to the DOJ Assets Forfeiture Fund, DOJ estimates that $109 million will be available for transfer to the Special Forfeiture Fund in FY 1990. However, ONDCP is authorized to obligate up to the $115 million level set by Congress if DOJ collections exceed the current projections.

Chapter IV of Title IV of the Department of Transportation and Related Agencies Appropriations Act of 1990 directed the Director of ONDCP to use the funds for Federal prison construction. The $109 million will be transferred to the Buildings and Facilities account of the Bureau of Prisons for Federal prison construction purposes as required by law. Fourteen renovated and new facilities are projected for activation in FY 1991. The FY 1991 proposal will add another 6,175 beds to the 24,500 increase received in 1990. The 24,500 beds include 4,420 beds funded from the 1989 Assets Forfeiture Fund (actually received in 1990) and 20,080 beds from the 1990 appropriations and the anticipated transfer from the Special Forfeiture Fund.

QUESTION: The Fiscal Year 1991 Budget requests authority to spend $128 million in balances projected to be available in the fund. The Administration is also continuing to request a change in the Special Forfeiture Fund authorization language to allow transfers to the fund on a quarterly basis rather than at the end of each Fiscal Year.

How would enactment into law of your proposal to permit quarterly transfers into the Special Forfeiture Fund alter the Fiscal Years 1990 and 1991 obligations and total outlays from the fund, as reflected in the President's Budget?

ANSWER: Quarterly transfers into the Special Forfeiture Fund should not affect overall obligations or outlays. The change will only expedite the obligation of funds.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM SENATOR DOMENICI

QUESTION: The law requires the President's budget to include a "separate and detailed request" for use of the amounts in the fund. Instead, the budget indicates that $86 million will be directed to the development of a National Drug Intelligence Center ($53 million of which is for construction and equipment-related expenses). The remaining $42 million is proposed to be directed for improvements in the automated data processing (ADP) capabilities of the federal drug control agencies and other activities authorized by the Anti-Drug Abuse Act of 1988.

Although the purpose of the proposed intelligence center is described generally and some candidate uses of the remaining $42 million are listed, this is not very specific.

Would you please provide us with a detailed budget justification for the proposed intelligence center, as well as a specific list

of those drug control agency ADP improvements and activities which will be funded with the remaining $42 million projected to be available in the fund for use in Fiscal Year 1991, and the amount to be allocated for each.

ANSWER: The previously mentioned estimate of $86 million for the NDIC has been significantly changed. The table below presents the cost estimate by the Department of Justice for a National Drug Intelligence Center.

Department of Justice Costs Estimates for the
National Drug Intelligence Center
(In thousands of dollars)

1991 Estimated Costs	Amount
Salaries and expenses of 150 DoJ employees	$ 9,215
Rental of Space Costs of NDIC	2,065
Buildout costs of new space	5,000
Intelligent workstations for 100 specialists	1,600
NDIC Automated Drug Intelligence Information System	
Software requirements	9,000
Hardware requirements	11,000
Subtotal, Auto, Drug Intelligence Info. System	20,000
First year operating expenses	8,085
TOTAL, 1991 COST OF NDIC	$45,961
Less non-recurring costs:	
1992 Costs	
Buildout costs	-5,000
Equipment expenses related to employees	-3,177
Intelligent workstations	-1,440
Automated Drug Intelligence Information System	-13,300
Plus annual salaries for 150 positions	3,721
COST OF NDIC, 1992 AND BEYOND	$26,765

The $42 million for ADP activities will fund the following:

ADP IMPROVEMENTS	AMOUNTS
Agency/Program	
FBI	
Enhancements to the Drug Intelligence System	$ 5.0 million
Contracts for architecture development	1.5 million
DEA	
Report Automation	9.0 million
Data Base Conversion	7.0 million
Upgrade of EPIC ADP	5.0 million
U.S. CUSTOMS	
Enhancements to TECS II	10.0 million

U.S. COAST GUARD	
Improved message handling/data base integration	1.5 million
INS	
Improve data base integration/access to TECS II	3.0 million
Total:	$42.0 million

QUESTION CONCERNING THE SPECIAL FORFEITURE FUND FROM SENATOR DOMENICI

QUESTION: In constructing the National Drug Control Budget for Fiscal Year 1991, how did you designate which activities should be supported through the budget of the appropriate drug control agency and which would be financed out of the special forfeiture fund?

ANSWER: We believe that virtually all drug control activities should be funded in the appropriate agencies' budgets. We think that the National Drug Intelligence Center (NDIC) is an appropriate candidate to be funded from our Special Forfeiture Fund because it is a center that will involve and benefit many different agencies. Funding for the ADP enhancements is proposed to come from the Special Forfeiture Fund because this initiative was developed after the agency budgets were submitted to ONDCP and OMB, and because it is intertwined with the NDIC.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM SENATOR DOMENICI

QUESTION: With respect to the proposed new intelligence center, would you please describe more specifically how it will build on, rather than duplicate, existing drug intelligence and information systems?

ANSWER: There are a number of Federal agencies who now perform, or plan to perform various drug intelligence operations. Each of these operations is designed to serve the tactical and enforcement needs of the drug enforcement agencies. There are intelligence centers designed to integrate radar information for interdiction and, intelligence data bases designed to support investigations and prosecutions. It is our assessment, however, that there does not exist anywhere in the Federal government an intelligence operation who mission is to analyze and produce a more complete picture of the drug trafficking organizations.

The Congress has generously appropriated greater funding levels for drug enforcement in recent budgets. It is our belief that if these new resources are to be used efficiently, our Government must obtain a better picture of the vulnerabilities, structure, and infrastructure of the trafficking organizations. We need to understand not only who these traffickers are, but how they launder their money, how they make decisions, how they communicate, how they travel, etc. It is our belief that this type of systematic understanding of the trafficking organizations does not exist in the current intelligence centers and operations. It must be priority in order for our government to make significant progress on reducing the supply of illegal drugs.

QUESTION: Quite frankly, I have grave concerns that the proliferation of different intelligence centers and data bases may result in duplication of effort and perpetuate the existing fragmentation of law enforcement, aside from the obvious fact that it will result in duplicative costs.

Last year, Treasury proposed the establishment of the Financial Crimes Information Network (FINCEN) with your support. The Department of Defense has established a new intelligence capability to carry out its lead role in detection and monitoring. A new Joint Task Force 6 has also been established in El Paso. The U.S. Customs Service and Coast Guard are operating command, control, communications and intelligence (C3I) centers. The CIA has a counternarcotics center. This is in addition to a number of law enforcement agency intelligence unit data bases and information systems now in existence. Furthermore, the El Paso Intelligence Center (EPIC) which you say is a tactical intelligence center was initially conceived to be both a tactical and strategic intelligence center.

Won't the proliferation of individual centers and data bases cause a duplication of effort and cost?

Wouldn't a consolidation of these intelligence centers and data bases be more efficient and ultimately ensure a higher degree of cooperation among the various agencies?

Good intelligence should be the driving force behind any investigative or interdiction agency. As you know, within the Federal government there are many anti-drug agencies with differing missions in the war on drugs. It is our belief that it is proper for each of these agencies to have an internal intelligence unit which provide intelligence tailored and suited to the mission of each agency. The Customs Service, for example, needs to know less about street level dealing in Kansas City than they do about drug-laden cargo from the Far East. If we were to merge every intelligence unit within each of the agencies into one for the sake of "efficiency", we would create an large intelligence unit not suited to the particular needs of each agency and their individual missions.

Will there be duplication of effort within the Federal Government? There certainly will. Hopefully, it will kept to a minimum, but it seems clear that if each agency is collecting and analyzing intelligence, some agencies might be working with similar information.

While we must make efforts to limit this duplication because of cost concerns, it is clearly not the greatest threat to our anti-drug effort. What is worrisome is not that agencies might be working with similar information -- what is a danger to our efforts is a lack information sharing. It would be a tragedy if we possessed the information necessary to dismantle the major drug trafficking organizations, but it was merely scattered through a number of different agencies who never talked to one another.

It is to fill this gap that we have proposed the National Drug Intelligence Center (NDIC). The NDIC will analyze information in interdiction-related files or investigatory files not necessarily with a view toward a particular drug plane or drug suspect, but with a view toward getting a larger picture of how the drug trafficking organizations operate as a living organism. It will produce products which will help direct our investigations and operations toward the greatest vulnerabilities in these organizations.

QUESTION:

As conceived, the Financial Crimes Information Network requires the participation of other federal departments and agencies outside the Treasury Department concerned with financial investigations and intelligence gathering on narcotics trafficking organizations. More specifically, FINCEN must have access to their various data systems.

In your position as Director of the Office of National Drug Control Policy, what has been your involvement in securing the full participation in FINCEN of those agencies and departments outside of the Treasury Department, including FINCEN's access to all relevant enforcement data bases?

ANSWER:

The Office of National Drug Control Policy has been actively involved in the policy and functional development of FINCEN at both the executive and staff levels. As called for in the 1990 Strategy, we have established the Drug-related Financial Crimes Policy Group (DFCPG) chaired by ONDCP's Deputy Director for Supply Reduction. We are confident that our efforts along with those of the Departments of Treasury and Justice will insure that FINCEN is a multi-agency activity and that access to necessary and appropropriate data systems.

QUESTION CONCERNING HIGH INTENSITY DRUG TRAFFICKING AREAS FROM SENATOR DOMENICI

QUESTION: As required by law, you have recently designated five areas as high intensity drug trafficking areas: New York City, Los Angeles, Miami, Houston, and the Southwest Border. The Strategy indicates that precise areas included by these designations will be determined through consultations with local officials and will be subject to change.

Would you please be more specific as to who you will be consulting with at the local level and how long this process is expected to take?

ANSWER: We will be consulting with the heads of local law enforcement. In addition to the federal agency chiefs, the consultations will include county sheriffs, city police chiefs, district attorneys, state officials assigned to the specified areas, and the state drug program coordinators; mayors and other officials may be included as appropriate.

In each of the five designated areas, a Coordinator will be named whose responsibility it will be to coordinate the assessment and recommendations by the various officials. In the four metropolitan areas, the Justice Department will name a Coordinator and the Treasury Department will name the Coordinator for the Southwest Border. Under the auspices of the ONDCP, each Department will chair a HIDTA Committee (Justice the metropolitan committee and Treasury the Southwest Border committee) which will provide oversight to the five Coordinators.

QUESTION: An appropriation of $25 million has been provided for fiscal year 1990 for use in high intensity drug trafficking areas. You are proposing $50 million for this purpose in 1991.

How will this funding be allocated between the designated high intensity drug trafficking areas and what activities will be funded from this appropriation?

How much will be spent to assist State and local efforts in these areas?

ANSWER: ONDCP lacks the appropriate authority to transfer funds to the Justice and Treasury Departments, but is requesting such authority in its legislative package to implement the 1990 Strategy. In the meantime, our plan for spending the HIDTA resources is to enter into Inter-agency agreements to enable us to reimburse each agency for its costs incurred in carrying out special programs and making unique expenditures in the designated areas.

The Departments of Justice and Treasury have the lead for designating the HIDTA Coordinators in the metropolitan and southwest border areas. The Coordinators will be directly responsible for the consultations and resulting recommendations from their respective areas. These funds do not have any limitations as to how they may be obligated, so long as they are used for drug-related purposes. The portion of funds will be made based on needs of the individual areas and the plans that are presented.

There is no exact allocation. The intent of these monies is to bring together federal, state and local law enforcement and for them to come up with a plan which will best benefit their localities.

QUESTION: In addition to the $50 million appropriation requested for High Intensity Drug Trafficking Areas, the Strategy indicates that the Administration is requesting more than $1.3 billion for drug enforcement, treatment, and prevention activities intended for the five areas, along with $87 million for Organized Crime Drug Enforcement and DEA State and Local Task Forces in these five areas. Will you please tell us how you arrived at these two figures?

ANSWER: The designated High Intensity Drug Trafficking Areas (HIDTAs) are Los Angeles, Miami, New York, Houston, and the Southwest Border. Unfortunately, there is no accounting system which can accurately track drug-related resources for each of these areas by agency. HIDTA spending figures are estimates, computed by each drug control agency at ONDCP's request, as to what it is spending, or is going to spend, in these areas.

QUESTION: **The Strategy indicates that the Justice Department has been designated as the lead agency to coordinate Federal programs in the New York, Miami, Houston, and Los Angeles high intensity drug trafficking areas and the Treasury Department has been designated the lead agency for coordination in the Southwest Border area.**

Furthermore, Justice will assign a senior official in each high intensity drug trafficking area as its coordinator and Treasury will assign a departmental official as coordinator of the Southwest border area who will also serve as coordinator of Operation Alliance.

What is the rationale for these lead agency designations? Why will New York, Miami, Houston, and Los Angeles have a coordinator in the area? Will Treasury's coordinator also be stationed in the Southwest border area?

ANSWER: The rationale for lead agency designations was the different response to drug trafficking on the Southwest Border compared to drug trafficking in metropolitan areas. Along the

Southwest Border, the drug trafficking problem is more of an interdiction matter versus metropolitan areas where it is more of a criminal justice matter. We felt that with Customs' interdiction responsibility, Treasury would be best suited to lead the effort along the Southwest Border; whereas, the Justice Department would be best as a lead for a unified criminal justice response to drug trafficking in metropolitan areas.

The Coordinators will be located in the areas because it is felt that they can best serve the interests of all concerned if they are there instead of Washington. Along the Southwest Border, there is already in place a mechanism for coordination between the states, locals and federal governmental agencies called Operation Alliance. Each month, a representative from each of the states and each federal agencies involved in law enforcement meet to discuss common problems and issues. This group will be used as part of the coordinating mechanism for the HIDTA assessment and implementation.

QUESTION: The Strategy indicates that Operation Alliance will be expanded to provide a full range of coordination in the Southwest border area.

Will additional resources be provided for Operation Alliance? If so, how much is included in the Fiscal Year 1991 National Drug Control Budget for this purpose?

ANSWER: There are no additional resources specifically identified for Operational Alliance. However, each of the federal agencies involved in Operation Alliance has received additional funding which will be used in Operation Alliance initiatives.

QUESTION: The Strategy indicates that of the planned funds for fiscal year 1990, a portion will be allocated to each of the five designated high intensity drug trafficking areas for research and assessment. What portion of the $25 million will be spent on these research and assessment efforts?

ANSWER: HIDTA research funding will help us assess what we need to efficiently and effectively augment our efforts in HIDTAs. The assessment will be coordinated by the Treasury and Justice Departments and will be used by the Departments and ONDCP in planning and implementing programs in the HIDTAs. ONDCP has asked the HIDTA lead agencies to initiate a number of implementing actions, including: preparation of plans for consulting with State and local officials, developing proposals to refine specific area designations, conducting research and assessing the needs of each area, and making recommendations as to the allocation of HIDTA funds. Specific amounts have not been identified for research and assessment.

QUESTION #1 (REGIONAL OFFICES) FROM SENATOR DOMENICI (OSR#16)

QUESTION: The National Drug Control Budget indicates that your office now operates three regional offices in Houston, Texas, Miami, Florida, and LA-Long Beach, California which were formerly offices of the National Narcotics Border Interdiction System (NNBIS) and absorbed into your operations in Fiscal Year 1990.

Your Fiscal Year 1991 budget justification indicates that funding is included for these regional offices formerly established by NNBIS which will be "continued and re-oriented" to meet the mission of the Office of National Drug Control Policy.

Why are these former NNBIS offices needed by the Office of National Drug Control?

Can you justify a need to maintain Regional Offices at each of these locations to fulfill the mission of the Office of National Drug Control Policy? Wouldn't it be more cost effective to simply utilize the existing Regional and Field Offices of the Drug Control Agencies?

ANSWER: They serve as regional ONDCP point of contact for coordination, as may prove necessary, of supply reduction programs conducted within the region. They represent ONDCP in appropriate supply reduction meetings and conferences within the region. They have developed effective liaison relationships with appropriate supply reduction agencies and organizations within the region.

The Regional offices conduct outreach programs to promote widespread awareness, understanding, and acceptance of the National Drug Control Strategy. They identify and report successful supply reduction operations, initiatives, and programs which are susceptible to replication by other agencies and groups and they serve as ombudsman for identification within the region of policy issues and concern to federal agencies, and to state and local law enforcement agencies in their relationship with the federal government. They promote local resolution of appropriate issues, and report to ONDCP Washington those which merit national attention.

Regional and field offices of the drug control agencies exist to discharge the specific missions of their parent agencies, and they are fully engaged in those tasks. The mission of ONDCP is broader than that of any single agency or bureau.

QUESTION: **If these regional offices are currently being operated by ONDCP as the national drug control budget indicates, where have you found the resources to support them? Your Fiscal Year 1990 budget did not include funding for the operation of regional offices. What is the cost of operating theses offices in Fiscal Year 1990?**

ANSWER: ONDCP regional offices are staffed on a non-reimbursable basis by agency detailees. Expenses associated with the offices paid for by the participating agencies.

QUESTION: YOUR FISCAL YEAR 1991 BUDGET JUSTIFICATION INDICATES THAT YOU HAVE REQUESTED FUNDS TO COVER THE RENT, COMMUNICATIONS, UTILITIES AND MISCELLANEOUS CHARGES FOR THESE THREE REGIONAL OFFICES BUT THAT THEY WILL BE STAFFED WITH DETAILED EMPLOYEES.

-- FIRST, WOULD YOU PLEASE SUPPLY THIS SUBCOMMITTEE WITH THE AMOUNT REQUESTED FOR FISCAL YEAR 1991 TO SUPPORT EACH OF THESE THREE REGIONAL OFFICES WHICH IS INCLUDED IN EACH BUDGET OBJECT CLASSIFICATION.

-- SECOND, WOULD YOU PLEASE PROVIDE US WITH THE STAFFING REQUIREMENTS ASSOCIATED WITH EACH OF THESE THREE FIELD OFFICES; WHICH FEDERAL AGENCY OR DEPARTMENT WILL BE PROVIDING THIS PERSONNEL AND WHETHER EACH OF THESE PERSONNEL WILL BE PROVIDED ON A REIMBURSABLE OR NON-REIMBURSABLE BASIS.

Answer:

Regional Offices - Projected Expenditures

	PACIFIC	SOUTHWEST	SOUTHEAST	TOTAL
Travel	$ 20,000	$ 20,000	$ 20,000	$ 60,000
Transp. things	1,000	1,000	1,000	3,000
Rent to GSA	40,000	31,820	40,000	111,820
Communic. rent & other utilities	274,640	274,640	274,640	823,920
Printing	1,666	1,666	1,666	5,000
Supplies	3,333	3,333	3,333	10,000
TOTAL	340,639	332,459	340,639	1,013,740

The current staffing of the regional offices follows. We expect that the staffing requirements will remain at the same level in Fiscal Year 1991. All personnel will be provided on a non-reimbursable basis.

PACIFIC

Regional Coordinator (Part-time)	U.S. Coast Guard
Deputy Regional Coordinator (vacant)	
Staff Director	U.S. Coast Guard
Immigration Specialist (vacant)	
Interdiction Specialist	U.S. Coast Guard
Interdiction Specialist	Customs
Investigations Specialist (vacant)	
Intelligence Specialist (vacant)	
State Operations Specialist (vacant)	
Office Manager	U.S. Coast Guard
Secretary	U.S. Coast Guard

SOUTHEAST

Regional Coordinator (Part-time)	U.S. Coast Guard
Deputy Regional Coordinator (vacant)	
Staff Director	Customs
Interdiction Specialist	U.S. Coast Guard
Interdiction Specialist	Customs
Investigations Specialist	NOAA
Intelligence Specialist	DOD
State Operations Specialist (vacant)	
Administrative Specialist	U.S. Coast Guard
Secretary	NOAA

SOUTHWEST

Regional Coordinator (Part-time)	Customs
Staff Director	Customs
Interdiction Specialist	Customs
Immigration Specialist (vacant)	
Investigations Specialist (vacant)	
Intelligence Specialist (vacant)	
State Operations Specialist (vacant)	
Secretary	Customs

QUESTION: YOU ARE ASKING FOR AN INCREASE OF NINE POSITIONS FOR FISCAL YEAR 1991. HOW WILL THESE ADDITIONAL NINE POSITIONS BE UTILIZED?

ANSWER: The additional nine positions will be utilized as follows:

Component	Position	Grade
Executive Secretariat	Staff Assistant	GS 9
Director, Planning, Budget, Admin.	Secretary	GS 9
Planning Service	Policy Analyst	GS 13
Budget & Legislative Review Service	Budget Analyst	GS 13
Congressional Relations	Secretary	GS 8
Presidential Advisory Council	Executive Director	SES
Presidential Advisory Council	Staff-Assistant	GS 15
Presidential Advisory Council	Staff Assistant	GS 11
Presidential Advisory Council	Secretary	GS 9

QUESTION:

Last year, you indicated your support for establishment of the Treasury Department's proposed new financial crimes information network (FINCEN). Given your current proposal to establish a National Drug Intelligence Center, why shouldn't the Financial Crimes Information Network be part of the new center rather than a separate entity? How are you proposing that these two centers be integrated?

ANSWER:

During deliberations concerning the establishment of the Financial Crimes Enforcement Network (FINCEN) we made it clear to both Treasury and Justice that eventually the NDIC and FINCEN would need to work closely and, in fact, may be consolidated in some manner. Because the NDIC planning has not been completed, we are not able to describe exactly how this integration and coordination will take place. We are confident, however, that the efforts of the two entities will be mutually supporting and synergistic.

QUESTION CONCERNING THE NATIONAL DRUG INTELLIGENCE CENTER FROM SENATOR DOMENICI

QUESTION: The Treasury Department has recently submitted a budget justification to the subcommittee reflecting the first-year cost to establish and equip the new financial crimes information center (FINCEN) to be 13.4 million. You are proposing $86 million to establish the new National Drug Intelligence Center, $53 million of which is for construction and equipment-related

expenses. Why is the cost of this new center so high? I assume you are proposing to build a new facility. Why is this necessary?

Have you explored less costly alternatives; for example, leasing space or purchasing space to house this new facility or expanding an existing facility.

If you are proposing to build a new facility, where will it be located?

ANSWER: The previously mentioned estimate of $86 million for the NDIC has been significantly changed. The management analysis group set up by the Attorney General will make recommendations on the composition of the National Drug Intelligence Center (NDIC). A basic planning assumption is that the NDIC will be in the Washington area. The table below presents the current cost estimate by the Department of Justices' management anaylsis group for the leased facility.

Department of Justice Costs Estimates for the
National Drug Intelligence Center
(In thousands of dollars)

1991 Estimated Costs	Amount
Salaries and expenses of 150 DoJ employees	$ 9,215
Rental of Space Costs of NDIC	2,065
Buildout costs of new space	5,000
Intelligent workstations for 100 specialists	1,600
NDIC Automated Drug Intelligence Information System	
Software requirements	9,000
Hardware requirements	11,000
Subtotal, Auto, Drug Intelligence Info. System	20,000
First year operating expenses	8,085
TOTAL, 1991 COST OF NDIC	$45,961

QUESTION: YOU INDICATE THAT THE OFFICE OF ADMINISTRATION OF THE EXECUTIVE OFFICE OF THE PRESIDENT PERFORMS NUMEROUS ADMINISTRATIVE FUNCTIONS FOR ONDCP. WHAT ARE THESE FUNCTIONS AND ARE THEY PROVIDED ON A REIMBURSABLE OR NON-REIMBURSABLE BASIS? IF ON A REIMBURSABLE BASIS, WHAT AMOUNT IS INCLUDED IN YOUR FISCAL YEAR 1991 REQUEST TO REIMBURSE THE OFFICE OF ADMINISTRATION FOR THESE SERVICES?

Answer: ONDCP's Administrative Service is responsible for providing administrative services to ONDCP staff, with support from the Executive Office of the President's Office of Administration. All administrative actions are initiated by, and executed by ONDCP, including: planning and execution of the ONDCP operating budget; personnel processing and timekeeping for approximately 150 permanent and detailee positions; facilities and space management to include the relocation to a new facility; design, procurement and supervision of telephone and ADP support; procurement and supplies; travel processing; internal mail and messenger support; and overall security services.

In fiscal year 1990, the following services have been provided by the Executive Office of the President on a reimburseable basis:

- accounting
- procurement service as contract official
- personnel action processing
- payroll
- facilities management support to include mail handling, and some moving support
- procurement of routine office supplies
- ADP systems design, and provision of contract support
- personnel security assistance in processing of clearances
- library/reference services
- printing services

These services are provided to each EOP agency on a reimbursable basis until the time that they are included in the EOP's budgeted level of support. ONDCP will be supported by the EOP beginning in Fiscal Year 1991. Our fiscal year 1991 request includes $205,000 in agency-specific support costs for the services listed below. These services will be provided by EOP on a reimburseable basis:

- ADP systems design and provision of contract support
- printing services
- procurement of routine office supplies

QUESTION: WHAT AMOUNT IS INCLUDED IN YOUR FISCAL YEAR 1991 REQUEST FOR ADMINISTRATIVE COSTS IN SUPPORT OF THE PRESIDENT'S DRUG ADVISORY COUNCIL?

ANSWER: No funding for the President's Drug Advisory Council has been included in the Fiscal Year 1991 budget request. It is anticipated that in FY 1990 and FY 1991 expenses of the Advisory Council will be privately funded through gifts and donations. Administrative support (personnel processing, ADP, facilities, property, and supplies) will be provided to the Advisory Council by the existing ONDCP Administrative staff.

QUESTION: YOU ALSO INDICATE THAT ONDCP POSITIONS WILL CONTINUE TO BE SUPPLEMENTED BY NON-REIMBURSABLE DETAILEES FROM THE DRUG CONTROL AGENCIES. WOULD YOU PLEASE PROVIDE THIS SUBCOMMITTEE WITH A LIST OF THE NON-REIMBURSABLE DETAILEES YOU ARE UTILIZING TO SUPPLEMENT YOUR STAFF IN THE CURRENT FISCAL YEAR, IDENTIFYING THE DETAILING AGENCY OF EACH, AS WELL AS THE LENGTH AND PURPOSE OF EACH DETAIL.

ANSWER: The following personnel have been detailed to ONDCP on non-reimbursable details. All detailees are providing technical expertise in drug control as well as liaison and coordination with their parent agencies.

NAME	DETAILING AGENCY	TOUR LENGTH
Peter M. Balonon	USCS	2 Yrs
Jan P. Blanton	IRS	1 Yr
Erwin S. Bloom	NIDA	6 Mo
William R. Bonelli	USCS	2 Yrs
Thomas C. Booth	USCG	2 Yrs
Michael J. Bregman	ATF	1 Yr
Robert P. Bushey	USCS	1 Yr
John C. Carney	USCG	2 Yrs
Richard L. Cashdollar	USCG	2 Yrs
Wendy Chamberlin	State	1 Yr
Lloyd N. Clifton	DEA	1 Yr
Robert L. Cohen	DOD	2 Yrs
Frederick R. Colgan	USCS	2 Yrs
Carl E. Craig	USCS	2 Yrs
Terry M. Cromer	USCS	1 Yr
Martin H. Daniell	USCG	2 Yrs
Carolyn J. Destin	USCS	1 Yr
Peter R. Dorn	DOD	2 Yrs
Stephen A. Dougherty	USCS	1 Yr
James H. Ferguson	USCG	2 Yrs
Dennis M. Flint	DOD	2 Yrs
Charles M. Fuss	NOAA	2 Yrs
Theodore E. Grabowsky	DOD	3 Yrs
Kim Graham	VA	6 Mo
George E. Gray	USCG	2 Yrs
Michael R. Hadley	DOD	2 Yrs
George R. Heim	DOD	2 Yrs
Paul J. Heine	DOD	2 Yrs
Steven M. Hurst	INS	1 Yr
Herbert C. Jones	VA	1 Yr
John W. Kime	USCG	2 Yrs
Karen E. McFadden	DOJ	1 Yr
Reginald J. McHugh	State	1 Yr
Linda A. Mulik	NOAA	2 Yrs
David G. Muller	DOD	2 Yrs
Peter L. Nacci	BOP	1 Yr
Nabalis Nieves	DOD	2 Yrs
Paul V. O'Connell	DOD	2 Yrs
James C. Piatt	USCS	1 Yr
Dennis W. Pinkstaff	USCS	2 Yrs
Roger D. Pirkey	DOD	2 Yrs
Benjamin Renshaw	DOJ	1 Yr
Robert W. Ross	FBI	1 Yr
Fred A. Schellenberg	CIA	2 Yrs
Harry M. Sedan	USCS	1 Yr
John E. Shkor	USCG	1 Yr
Donald K. Shruhan	USCS	1 Yr
Karen M. Slota	USCG	2 Yrs
Joseph C. Sullivan	DEA	1 Yr
Mark A. Thomas	DOD	2 Yrs
John F. Wade	USCG	1 Yr
James R. Warchol	DOD	2 Yrs
Edward W. Williams	USCG	2 Yrs

QUESTIONS SUBMITTED BY SENATOR D'AMATO

QUESTION CONCERNING HIGH INTENSITY DRUG TRAFFICKING AREAS FROM SENATOR D'AMATO

QUESTION: Suffolk County and the New York High Intensity Drug Trafficking Area. First, I would like to cite some of the facts that support adding Suffolk County to the New York High Intensity Drug Trafficking area, and then ask you this question, what is the procedure for involving the U.S. Attorney, the District Attorneys for Nassau and Suffolk Counties, and other officials in the decision-making process, to ensure that Suffolk County is added to the New York High Intensity Drug Trafficking area?

ANSWER: After thorough consultation and review, the Director of ONDCP designated New York City and a surrounding area as one of five High Intensity Drug Trafficking Areas. The precise areas included by these designations will be determined through consultation with local officials and are subject to change according to local circumstances. The 1990 National Strategy designates the Department of Justice as the lead agency for HIDTA coordination in the New York, Miami, Houston, and Los Angeles areas.

ONDCP has asked the HIDTA lead agencies to initiate a number of implementing actions, including: preparation of plans for consulting with State and Local officials, developing proposals to refine specific area designations, conducting research and assessing the needs of each area, and making recommendations as to the allocation of HIDTA funds.

QUESTION: Do you know if the United States has received any specific assurance from the Panamanian Government with respect to any of the following:

- **the need for a change in Panama's bank secrecy law;**
- **the need for an Executive Agreement and or Mutual Legal Assistance Treaty between the United States and panama, similar to our agreements with the Cayman Islands;**
- **the need for an agreement between the United States and Panama for the exchange of tax information?**

ANSWER: We have been encouraged by the forthcoming attitude of the Government of Panama in working with the United States to attack the money laundering problem. Since the Endara government took office, senior Panamanian officials as well as the President of the Banking Association of Panama have publicly expressed their view that money laundering through Panamanian banks is harmful to the Panamanian national interest. They have also indicated their intention to cooperate with the U.S. Government in efforts to combat money laundering.

Bank secrecy in Panama does not mean that information necessary for the prosecution of money laundering cases will not be made available under appropriate circumstances to U.S. law enforcement officials. The Panamanians are already providing us with evidence for use in on-going U.S. narcotics trafficking/money laundering prosecutions pursuant to their domestic law.

In February, the Endara Government requested that we begin law enforcement discussions regarding a mechanism for an exchange of information with the U.S. We therefore began discussions on a range of law enforcement agreements with the Government of Panama, including an agreement establishing formal mechanisms for obtaining evidence (for example, bank records) needed in criminal investigations and prosecutions. These discussions are currently underway.

QUESTION: What would the Administrations's reaction be if the bill providing for the lifting of sanctions against Panama, and for a large U.S. aid package, is amended to condition such steps on enactment by the Endara Government of changes in Panama's banking laws and/or negotiations with the U.S. on an executive agreement or Mutual Legal Assistance Treaty (MLAT), such as we have with the Cayman Islands, to combat drug money laundering? What if we were to say, for example, that the aid we provided can be suspended if in a few months, our President does not certify that progress is being made to amend Panama's bank secrecy law and to conclude a Mutual Legal Assistance Treaty with the United States?

ANSWER: Panama has adequate laws on the books, which, if properly enforced, will combat drug money laundering. The Panamanians are already cooperating by providing us with evidence for prosecutions. Moreover, we are very pleased with the course of current discussions with the Government of Panama on law enforcement agreements which would include an exchange of information, and are optimistic that they will result in mutually satisfactory arrangements. Although we understand Congressional concerns, we prefer to maintain maximum flexibility in the conduct of all discussions regarding bilateral agreements.

QUESTION: Please comment on the concerns expressed in the Times article by a senior State Department official that Panama's existing laws "are grossly inadequate" to prevent money laundering, and that "the United States is strongly urging Panama to revise them".

ANSWER: We have been concerned for some years with the relationship between Panamanian laws and money laundering problems. We do not, however, believe that account confidentiality necessarily contributes to money laundering. Panama has adequate laws on the books, which, if properly enforced, will combat drug money laundering.

Government of Panama actions and aggressive new interpretations of its drug laws to obtain money laundering information and then to provide it to other countries' law enforcement officials are already showing concrete results. In December, based on information provided by U.S. law enforcement agencies, the Panamanian Government froze over two hundred bank accounts believed to have been used for laundering drug money. It is our understanding that the accounts remain frozen.

On February 13, 1990, the Panamanian Cabinet approved a decree which, among other things, would establish a requirement for reporting cash transactions in excess of $10,000. The National Banking Commission has already promulgated some of the regulations implementing this decree.

During the week of March 13, the Panamanian Supreme Court ruled that the Panamanian Attorney General has the authority to compel the submission of information about coded bank accounts from the banks for law enforcement purposes.

QUESTION CONCERNING MONEY LAUNDERING FROM SENATOR D'AMATO

QUESTION: Please comment on concerns expressed in the article by officials of the DEA and Justice Department that "business connections and friendships make it difficult to believe that any real crackdown against money laundering is likely."

ANSWER: What article? Need more information to work with. This question should be coordinated with DEA and/or Justice after we have had a chance to review the article to which the Senator is referring.

QUESTION: Once an account is frozen in a Panamanian bank, what is the procedure in Panama for the issuance of subpoenas and the seizure and forfeiture of laundered drug money? How effectively is the Panamanian government moving to seize and forfeiture the drug trafficker money in banks in Panama that has been frozen since the fall of Noriega? Have any forfeitures been completed? When are the first sizeable forfeitures expected? Can any of this money be forfeited under U.S. law?

ANSWER: Under Panamanian Law #23, the Attorney General writes a letter to a bank demanding the production of records. The forfeiture process will take several months -- as it does in the U.S. No forfeitures have been completed to date, and we do not know when the first forfeitures can be expected. Money may not be forfeited under U.S. law. We believe this law will be effective.

QUESTION: What obstacles to effective law enforcement and drug enforcement are created by Panama's existing bank secrecy, tax, and corporate secrecy laws? Please distinguish between the different ways Panama's law handles "general operations" and "numbered accounts."

ANSWER: Under existing secrecy laws, we are unable to receive information about bank account holders, corporations and their stockholders. Without this information, it is impossible to trace funds and identify legitimate investments and sources from fictitious and nominee identities.

QUESTION CONCERNING USE OF DEADLY FORCE IN DRUG INTERDICTION FROM SENATOR D'AMATO

QUESTION: In a Customs Service report provided to this Subcommittee in December concerning the use of deadly force in drug interdiction, Customs concludes that, although deadly force is currently authorized by law, it is also subject to constitutional limitations. According to Customs any expanded use of deadly force in drug interdiction could only be accomplished with a constitutional amendment.

How do you reconcile this Customs position with the statement in the January 1990 National Drug Strategy (page 67), which states that the Administration will seek new legislation to provide Federal law enforcement agencies with the "appropriate authority" to order U.S. registered aircraft, or any aircraft flying over U.S. territory, to land if there is a reasonable suspicion of drug smuggling.

What can you tell us about this new legislation? What authority are you considering asking for to cover the situation where a suspect plan refuses to land?

ANSWER: With regard to the issue of ordering aircraft to land, the Administration is now considering legislative changes that would make criminal the refusal by an operator of an aircraft (or vessel) to obey the order of a law enforcement officer to land (or to heave-to). We intend to transmit this legislation to Congress shortly.

Regarding the Customs report you cited, I would simply state that the Customs legal counsel does not speak for the Administration on matters of constitutional law. For that, we look to the Department of Justice's Office of Legal Counsel.

QUESTION:

What specific commitments have the DEA, FBI, Customs Service and IRS made to provide FINCEN and/or the NDIC with direct access to their individual data bases? What access will FINCEN and the NDIC provide to state and local law enforcement and bank supervisory agencies? What interagency Memoranda of Understanding have been concluded with respect to these issues?

ANSWER:

FINCEN has developed a plan to establish links or access to numerous law enforcement and non-law enforcement database systems. This is a difficult and complex undertaking but has begun and progress is being made. FINCEN has access to the TECS II system, the Customs Artificial Intelligence System (CAIS), and the IRS Bank Secrecy Act Database. Agreement has been reached with DoD to have access to one of its principal drug intelligence systems. Discussions are underway with several other agencies, including the FBI and DEA, concerning access to their ADP systems. These latter efforts will be greatly enhanced when those agencies have their personnel working in FINCEN.

At this time, the question of specific access to individual agency databases by the NDIC is under review. As a general statement, we intend that the NDIC will be able to access the full range of data necessary for it to carry out its mission. The basic question revolves around centralized data or broad access to dispersed data. The ADP Working Group and the management group set up by the Attorney General to address management and operational issues will be developing recommendations and strategies to insure the NDIC has database access which is consistent with its mission and within legal and policy contraints.

No decisions have been made concerning access to FINCEN or NDIC systems by state and local.

QUESTION CONCERNING INTELLIGENCE SUPPORT FUNCTIONS FROM SENATOR D'AMATO

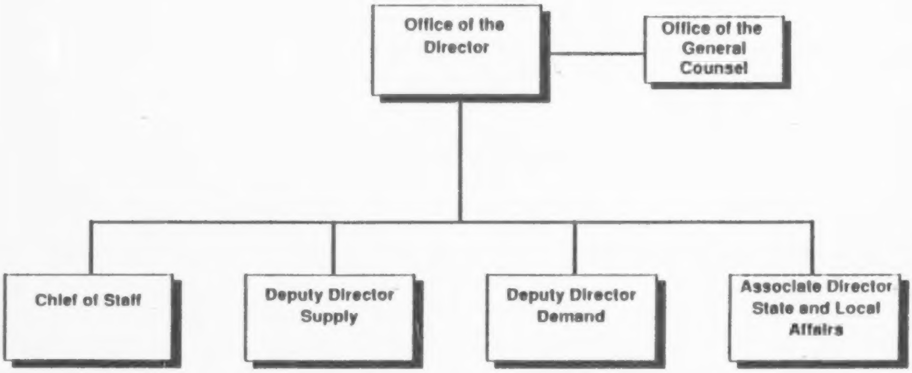
QUESTION: What assurances can you provide us that the proliferation of intelligence centers, working groups, etc, is not leading to an increase in bureaucratic red tape and duplication of effort? Do you see this proliferation as a sign that our anti-drug efforts need to be reorganized and/or streamlined?

ANSWER: Providing intelligence support to the broad array of supply reduction functions and activities is an immense and complex task. Each component such as investigations, interdiction, and foreign operations requires specific, and discrete, support. What works for investigators is not generally helpful to the interdictors: interdiction is time critical while investigations is much less so. The intelligence support functions which have arisen over the past several years have been designed to support specific aspects of the overall effort. While it is true that we can, and must, make these more efficient, it is not true that one or two intelligence activities can support all operational activities.

I do not see the creation of intelligence support functions as a sign that our anti-drug efforts need to be reorganized. I do agree that we can do better in streamlining these support functions. A major objective of our established working groups and committees is to help in identifying how we can develop, analyze, and disseminate better intelligence to the decision makers, at both the policy and operational levels. I am confident that these groups will result in significant, and demonstrable, improvements.

QUESTION: PLEASE PROVIDE THIS SUBCOMMITTEE WITH AN ORGANIZATIONAL CHART FOR THE OFFICE OF NATIONAL DRUG CONTROL POLICY.

ANSWER: The organizational chart for the Office of National Drug Control Policy is attached.


OFFICE OF NATIONAL DRUG CONTROL POLICY

QUESTION CONCERNING FUNDING TO THE STATES FROM SENATOR D'AMATO

QUESTION:

Have you heard similar comments from other district attorneys, and have you any suggestions about how we can provide more assistance to the front line, the police and district attorneys?

ANSWER:

The present block grant program through the Department of Justice, Bureau of Justice Assistance (BJA) has 21 purpose areas that States may use in determining the funding to the various criminal justice agencies within the State. The President's 1991 Budget request for the BJA program is $492 million of which $440 million is for block grants to States. This request represents a 270 percent increase over the 1989 funding for BJA block grants.

We believe that the States are best equipped to judge where their block grant funds should be spent within these 21 areas. In addition, the law states that only a percentage of the block grant funds for criminal justice can be held at the State level.

The percentage of funds that must be passed through to the local units of government is established through legislation and is based upon the level of expenditures that local units of government have contributed to the State's total criminal justice expenditures. We suggest that criminal justice agencies within the State become involved in their State planning process. In this way, their concerns can be addressed by the State agency that allocates the funds.

QUESTION

The 1990 Drug Control Strategy states that the Administration plans to seek an expanded death penalty for drug kingpins. Do you know when Congress will receive this proposed legislation? Will it be similar to S. 1955, which I introduced last session with 34 co-sponsors, and which provides for a death penalty -- even without a killing -- for drug kingpins who now only receive life imprisonment?

ANSWER

At present, the drug offender death penalty legislation awaits the final approval of the President and we expect to transmit this legislation to Congress later this spring. This proposed legislation would add three categories of drug related crimes for which the death penalty could be imposed, one of which extends the death penalty to leaders of large drug enterprises involving enormous quantities of drugs or revenues of $10 million per year. Currently, these drug kingpins are eligible for 20 years to life imprisonment. The proposed legislation also would require a jury to find one of several drug related aggravating factors existed, and was not outweighed by a mitigating factor, in order to impose the death penalty.

QUESTION SUBMITTED BY SENATOR JOHNSTON

QUESTION CONCERNING THE DEFENSE AUTHORIZATION CONFERENCE AGREEMENT FROM SENATOR JOHNSTON

QUESTION: The FY 1990 Defense Authorization Conference Agreement stated that "early detection of aerial and maritime targets suspected of drug trafficking is essential" and urged the Secretary of Defense to "accelerate the completion of the aerostat radar network" along the Gulf Coast border. When will the Department of Defense complete the southern border aerostat network and will these radars have the ability to simultaneously track aerial and maritime targets?

ANSWER: The Department of Defense has programmed funding for procurement of the systems to complete the network by the end of 1991. The installation and operation of the aerostats is the responsibility of the U.S. Customs Service. The current General Electric Aerostat systems will have both an aerial and maritime detection capability.

SUBCOMMITTEE RECESS

Senator DeConcini. Thank you. The subcommittee will recess until 10 a.m., Wednesday, February 21.

[Whereupon, at 11:55 a.m., Wednesday, February 7, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, February 21.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1991

THURSDAY, FEBRUARY 22, 1990

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini, Kerrey, Domenici, and D'Amato.

DEPARTMENT OF THE TREASURY

U.S. Customs Service

STATEMENT OF CAROL BOYD HALLETT, COMMISSIONER OF CUSTOMS

ACCOMPANIED BY:

MICHAEL H. LANE, DEPUTY COMMISSIONER

C. WAYNE HAMILTON, BUDGET DIRECTOR

DAVID M. NUMMY, DEPUTY ASSISTANT SECRETARY FOR DEPARTMENTAL FINANCE AND MANAGEMENT

OPENING REMARKS

Senator **DeConcini**. The Subcommittee on Treasury, Postal Service, and General Government will come to order. I apologize to Senator D'Amato and Senator Domenici, the ranking minority member. I was caught on the floor in a vote and some discussions.

This afternoon the subcommittee will be taking testimony on the proposed fiscal year 1991 budget requests of the U.S. Customs Service and the Federal Election Commission.

Our first panel will be comprised of the representatives of U.S. Customs. We are pleased to have as our lead witness Commissioner Carol Hallett. We thank you for being here, Madame Commissioner, and for your understanding of a very, very big agency. I want to say that I think you have come on board running hard, and I am pleased at that. I know with your experience as Ambassador to the Bahamas, you had a great deal of exposure to the work of Customs and the Coast Guard and many of the things that they do, not only in the drug area but in the other areas of Customs. You are a quick study indeed on what Customs must do, what their responsibilities are, and what challenges lie ahead for them.

Customs has been criticized for devoting resources to law enforcement at the expense of commercial activities. I think this is an unfair charge for several reasons. First, Customs has undertaken a series of initiatives designed to move legal cargo more quickly. Programs like the automated commercial system, automated broker interface, and others, coupled with increased staffing over the past couple of years for commercial operations, have helped Customs inspectors facilitate trade while detecting illegal contraband at the same time.

Yes; Customs is in the drug enforcement business, and I think you do a darned good job in it. Do you need more money for the commercial business—of course you do—but you also need more money for the drug enforcement side. Frankly, I don't think the budgets sent to the Congress over the past several years for Customs have sufficiently funded either effort. And for fiscal year 1991, the budget request seems to not really be much different.

But this is not the fault of Customs. I think if it were up to Customs, you would request funding for every initiative imaginable, and I would like to see some of those initiatives put into place.

I wanted to make these comments, Madame Commissioner, because I know it has got to be frustrating for you and many on your staff when you find you cannot do the job that Congress and the administration have thrust upon you. As you know, we are not always consistent up here ourselves.

Having said that, I want to say that this subcommittee had an excellent working relationship with your predecessor. I think William von Raab was truly one of the most outstanding Customs Commissioners in the last four or five decades, taking nothing away from the other fine people who held that office during that period. I think, Madame Commissioner, you have an opportunity to surpass your predecessors with the dedication that you have shown not only in the commercial side of your responsibilities, but, also, in your willingness to fight within your own team for things that are so necessary in the area of Customs.

Senator Domenici.

STATEMENT OF SENATOR DOMENICI

Senator DOMENICI. Thank you very much, Mr. Chairman.

Let me join the chairman, Commissioner, in welcoming you here and wishing you well in this very difficult job. This being your first appearance before this subcommittee, obviously, I am delighted that you are here and that you were appointed Commissioner of Customs. As the Commissioner, you have an opportunity to do something really significant, and I think you are going to do that.

For fiscal year 1990, this subcommittee considered and provided funding for a number of important Customs initiatives. These included additional resources to provide essential commercial operation services and to enhance our efforts to stop the importation of illegal narcotics. Additional funding was provided for the interagency border inspection system, for increased cargo container enforcement, for money laundering, and for air interdiction program assets and staffing.

I cannot tell you, however, that I am pleased with the budget request for the Customs Service for fiscal year 1991. Customs is facing significant staffing reductions for fiscal year 1990 due to the funding sequester. We talk about sequester up here as if it has no impact—it had an impact. Customs also must absorb other unfunded, mandatory personnel cost increases—we forget about those, too. We have each agency absorb pay increases without providing the money, and as you do that, your operational dollars shrink. As a consequence, you lose the ~~ability to~~ keep all the staff that we expect you to have.

Now you have a new personnel cost increase added for fiscal year 1991. That is, at the end of the year, the Congress passed an administrative overtime statute, and no money was provided to pay for it. As a consequence, those items are two in the current fiscal year—cost-of-living and health benefit cost increases, and this new one that you must absorb during fiscal year 1991. They are going to cause you some real trouble.

We will want to explore with you the impact these funding shortfalls will have on the Customs Service's ability to perform its basic mission and on those initiatives funded for fiscal year 1990.

I realize we face some very real problems here, and I am not suggesting at this point, Commissioner, that they are your fault.

Of even greater concern to me is the fact that funding to restore these position reductions is not being requested for fiscal year 1991. We know they are occurring in fiscal year 1990. We are worried. The administration's request does not propose to fund funding to restore them in fiscal year 1991 when we know the problem. It proposes a further reduction of 314 full-time equivalent positions. Not only what we know is occurring because you had no alternative is being left untouched, but now even less than that is being proposed. This puts Customs, if we figured it right, 757 full-time equivalent positions below the fiscal year 1990 total that we had funded at the time the appropriations act was adopted. If I am wrong on those numbers, I hope somebody will correct me.

I don't see how you the Customs Service is going to be able to meet its increased responsibilities in the enforcement area and provide adequate service to the trade and commercial community at these levels. Perhaps you can answer some of these concerns for us today; I hope you can. While you must stand on the executive budget, I hope you will be as honest as you can about the implications of these kinds of full-time equivalent position reductions in your basic activities.

Thank you, Mr. Chairman.

Senator DECONCINI. Thank you.

I recognize the Senator from Nebraska for an opening statement.

Senator KERREY. No opening statement, Mr. Chairman.

Senator DECONCINI. The Senator from New York, do you have an opening statement?

STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Thank you, Mr. Chairman.

I, too, wish to join you and Senator Domenici in welcoming our new Commissioner. She has already evidenced a desire to work with us and to be cooperative in meeting the challenges that lie ahead.

I am going to ask that the full text of my statement, Mr. Chairman, be placed in the record as if read in its entirety. However, I would like to make this observation. Both you and Senator Domenici have, with specifics, set out the problems that the Customs Service and the Commissioner face, and the fact that since 1988, they have had increases that they have had to pay for out of the existing resources. They have had additional responsibilities such as the pay increases, such as other mandates, et cetera. Indeed, we are playing a shell game. And that is what it is. There is a very real reduction in manpower.

I don't say this in a didactic way toward the Commissioner. I do, though, address this concern to the Treasury Department, because we are kidding ourselves, and it is not fair. And Secretary Baker is a dear friend, and the enforcement people—Assistant Secretary Martoche and others—are dear friends. But somehow, some way, with OMB, you have to say to them: We can't be telling the American public the fact that we are increasing our resources as it relates to taking on the important areas of the battle against drugs and controlling our borders, and in reality be providing less in the way of resources that are necessary. We have increased the funding, but we have made them absorb the pay increases, so that the number of positions will be down by 757. It is not fair, it is not right. It impacts my State. We've got the free trade pact with Canada. The border is booming in Buffalo. Customs can't meet its responsibilities. We are going to be losing money and resources as a result of not having sufficient positions. It is not just at the border of New York with Canada. I am certain we will find in Detroit and in other areas the same situation.

It doesn't make sense; it is wrong; it is injurious. So I will just leave you with that. It is a heavy responsibility to place on the Deputy Assistant Secretary of the Treasury, but I think sometimes we do ourselves and those we work with a great disservice by not communicating with them. I don't think this shell game can, or should be permitted to, continue. Our national emergency in the drug war means we have to increase the resources. And we're going to have this battle. So while we talk about a $10.2 billion allocation of resources, in essence Customs is going to be receiving less resources than they got back in 1988; less in the way of positions, even in the face of greater responsibility. Now, that simply doesn't make sense.

I say to the Commissioner, I know that this committee will do all that it can to work with you in a cooperative spirit and effort, and hopefully, we can get additional resources. Otherwise, we are just simply going to continue to pull desperately needed resources from one area to the other and indeed not be able to meet the mandate of the President and I think that which the people expect.

Thank you, Mr. Chairman.

PREPARED STATEMENT

Senator DOMENICI. Thank you, Senator. The full text of your statement will be placed in the record.

[The statement follows:]

STATEMENT OF SENATOR D'AMATO

Good morning, Mr. Chairman. I look forward to reviewing with you, the other members of this Subcommittee, and our new Customs Commissioner, the fiscal year 1991 budget request for the Customs Service.

At the outset, Mr. Chairman, I would like to cite three items in a long list of very serious concerns I have with the Customs fiscal year 1991 budget request:

One, the fiscal year 1991 budget request provides for no enhancements for the Customs Air Interdiction Program. The New York Aviation Unit needs a new fixed wing aircraft. Although I see nothing in this budget request that shows how that unit will get the plane it needs, I know the Commissioner is working on this. I look forward to working with her in attempting to locate a plane in the Customs inventory that meets the New York Aviation Unit's needs;

Two, the budget request fails to address the problem of the Customs Service hiring freeze that is now on. In Upstate New York, for example, there are only 18 Customs enforcement agents on board covering 35 counties and the Canadian border. That is an outrageously low number for a country that is supposed to be serious about fighting a war on drugs;

Three, Customs in this fiscal year is being forced to absorb massive increases in pay and benefit costs. In effect, this forces on Customs huge reductions in personnel levels. Some have estimated that the cuts are as high as 636 positions. Some estimates are as high as 757 positions.

The cuts I am referring to include the following: $13.1 million in base cuts for pay and benefits absorptions (281 Full Time Equivalent, or FTE, positions); $13.6 million in base cuts for the Administratively Uncontrollable Overtime [AUO] absorption (257 FTE positions); and $0.8 million (98 FTE) in so-called A-76 "savings" through the contracting out process.

That represents a total reduction of 636 positions from the levels enacted last year for fiscal year 1990.

One specific area that will be especially hard hit is the cargo container inspection program, which was cited at last year's hearing as Customs' top priority for its Office of Inspection and Control.

Although Congress appropriated $28 million for this program last year, the fiscal year 1990 sequestration, and the absorption of AUO, and pay and benefits increases are being cited as the reason for cutting that $28 million allocation down to only $3 million.

These reductions will seriously damage the Customs Service's efforts both to strengthen its antidrug program, and to increase its efforts in the areas of trade, child pornography, and illegal weapons and high technology transfers.

How did the Customs Service wind up in this mess? For three fiscal years (1988, 1989, and 1990) Customs pay has increased by over $57 million, but only $12 million in new budget authority has been provided for pay increases over the same period.

For the same period, health benefits have increased in excess of $18 million, but only $1.3 million in new budget authority has been provided.

The cumulative effect of the required absorptions in these two areas is $62 million.

Such absorptions virtually eliminate all discretionary funding within the Customs Service and will force Customs to begin reducing staffing levels, and special operations. Previous levels of discretionary funding were used to continue enhancement of its Automated Commercial System [ACS], Treasury Enforcement Communications System [TECS], and other priority efforts. Those discretionary funding levels are now almost completely gone.

For fiscal year 1991 the absorption policy continues for pay raises and the AUO increase. The bottom line is clear; the Customs Service will have no other option but to continue to reduce staffing.

Mr. Chairman, that is no way to make headway in the war on drugs or in meeting all the other important mission requirements facing the Customs Service. We can and we must do better.

Thank you, Mr. Chairman.

STATEMENT OF COMMISSIONER HALLETT

Senator DeConcini. Commissioner, do you want to introduce everybody? We know them, but you may want to introduce them for the record, and any statement you have, you may proceed.

Commissioner Hallett. Thank you very much, Mr. Chairman.

I would first like to introduce members of my team: Our Deputy Commissioner, Michael Lane; our Budget Director, Wayne Hamilton, and the Deputy Assistant Secretary from Treasury, David Nummy.

I am very pleased to be able to come before you today to discuss with you and the subcommittee the fiscal year budget for 1991.

This proposal will allow for maintaining current operating levels as well as adding selected operational enhancements in both commercial operations and the enforcement areas.

I want to emphasize that the Customs role in drug interdiction will be the top enforcement priority. I think when we talk about enforcement, I would like to just interject some comments that are particularly important to us today, because today is not only a very sad day for the U.S. Customs Service; it is a very sad day for all Americans, because we at the Customs Service are mourning the loss of one of our inspectors who was the victim of a hit-and-run incident at one of our border crossings in El Paso.

I have spoken with this young man's wife, his mother and father and his brother. He was so typical of so many of our Customs inspectors, our agents, and other men and women who literally go out on the line, dedicated every day to doing a job that is not only many times thankless, but very dangerous. I am very pleased to think that this young man, Tim McCragan, will not die in vain, that in fact we will be able to do some important things in terms of improving our security so this will not happen again.

We have, in fact, issued a release today that we are announcing a $50,000 reward leading to the arrest and hopefully conviction of the individual who caused his death; and at the same time, we also will be building a new facility and a new bridge at that border crossing that will be named in his honor. That does not replace his life, but I wanted you to be aware of how important this is as we mourn his passing.

But, Mr. Chairman, moving along, I do want to just point out that as this is my first time before your committee, I do want to talk briefly about how I view Customs, where I see the organization going, and those areas which I intend to concentrate on.

First of all, how I view Customs at this point given my brief tenure, not only from my review of Customs' portfolio, the many materials that I have reviewed, meetings, briefings, site visits, and all of these have led me to, I think, the opportunity to be able to point to significant successes that we have enjoyed, but also to point to the great support that we have received from the Congress, which has certainly translated into a greatly strengthened Customs commercial operation as well as the great support we have received for our enforcement capabilities. I certainly look forward to a continued close relationship between the Customs Service and the Congress.

The strengthening of the Customs commercial operations and enforcement capabilities would take me to my next point: Where is the Customs Service going?

The concepts which underpin the Customs early mission were examining cargo and collecting revenue. We served the Nation for many years in this way. And while these concepts are in place today, the Customs mission has become increasingly complex.

Every hour of every day, in over 300 ports and sublocations, Customs collects fees, taxes, and duties ranging from a simple few dollars to multimillions, and at the same time, we must pass all of the passengers through screening; we have cargo and conveyances that are utilized for illegal narcotics. That is a way in which we are able to make a difference in this area.

These activities are part of a multidimensional mission which encompasses the enforcement and administration of over 400 laws ranging from simple detention to merchandise and major seizures of conveyances to complex investigations of huge commercial frauds and major narcotics smuggling conspiracies.

So built into this multifaceted mission is really a very indigenous contradiction, namely, the timely facilitation of cargo on the one hand versus ensuring compliance with the law on the other. As this contradiction continues to run its course in these changing times, there will be many challenges for us. And it seems to me that we can meet these challenges in this current fiscal year as we are prepared to position ourselves properly in the strategic sense to allow the sustaining of our momentum in commercial operations, modernization, and certainly narcotics interdiction, while taking advantage of those enhancements for which Customs has worked so hard.

The enhancements of which I speak are certainly automating the entry processing system, elimination of paper documents, special narcotics enforcement operations, and targeting of suspect containers and others. These have been borne of opportunities, but they have been nurtured of necessity. And the notion of necessity certainly would take me to a final point, one which encompasses those elements which you want to hear about from me today on what do I intend to concentrate on in the near term and beyond.

First of all, Mr. Chairman, Customs will continue its role as the lead agency in narcotics interdiction by maintaining effective interdiction programs within the scope of its mission and in coordination with other Federal agencies. As long as the flow of illegal drugs poisons our neighborhoods, Customs will carry out its mandated interdiction role by maximizing our use of enforcement resources and continuously fine-tuning narcotics enforcement operations.

The fine-tuning will include a continuation of our efforts to bring our highly successful air and marine interdiction operations to their maximum performance levels and a further strengthening of our canine and CET team operations.

For the record, Mr. Chairman, in 1989, Customs CET teams accounted for 1,075 narcotics seizures totaling 94,400 pounds; seizures where canine teams participated totaled 2,400, netting 117,900 pounds of illegal drugs.

Certainly with the President's strategy on the war on drugs, the Customs Service is working closely with Dr. Bennett, and I believe that we will indicate a greatly strengthened effort in the Southwest border area.

So in concert with its drug interdiction mission, Customs will continue its active efforts in money laundering investigations—this is going to be very important, and certainly I think there is a great deal that will happen in this area that will lead to continued success.

In addition to our lead role in narcotics interdiction and on certainly a coequal footing, there will be a continued march toward meaningful improvement of Customs cargo facilitation and commercial operations mission. It has been said that the commercial side of the Customs mission has been short-changed in the last few years. That may or may not have been the case. But I can tell you that as the new Commissioner, it will not be the case on my watch. This organization is going forth in consultation and communication with the trade community and the Congress toward a Customs Service that is truly prepared to meet the challenges of the next decade.

I do not accept the notion that we and the trade community should be paralyzed by gridlock simply because we cannot get past our parochial interests. We can get past individual concerns if we are willing to simply put our heads together and work in the spirit of cooperation.

So I believe that we will see that kind of cooperation lead us to many successes that will be very important to us in what really could be termed a partnership with the trade community which will deal, I think, both of us many benefits.

As far as I am concerned, the trade community has much to offer in the way of suggestions, as they live every day of their lives by the bottom line in the business world. I think that can be of great benefit to us.

At the same time, Customs must have its say because our role is to enforce and administer our rules, regulations, and laws of the United States as they appear on the books today. So we must find a balance, and I believe we will.

In short summary, I have heard your concerns about the need to enhance Customs commercial operations as well as our enforcement operations. I would just like to briefly review some of our significant accomplishments in this past year. We have increased cargo selectivity, which has been supported by automated commercial systems. We have set up systems which link Customs field operations with our national computer and with Customs brokers and cargo carriers. We have successfully implemented a system which allows for binding rulings and uniform classification.

In the enforcement area, we have pursued and implemented several special operations to improve our interdiction method. Just as an example, working with DEA through Operation Winter Night, we have had some very successful joint operations that have provided us with important drug seizures. We have also developed programs which improve our control of enforcement of commercial carriers. And suffice it to say, we have made a great deal of progress in this area; we have been able to target weak points, and we have been able to shut off avenues for narcotics trafficking.

So I would point again to the fact that we have made good progress. We expect to make much more progress, and certainly I hope we will be able to build upon our accomplishments.

PREPARED STATEMENT

We appreciate the support that we have enjoyed from you and the subcommittee, Mr. Chairman. I would hope that my detailed remarks would be included in the Customs proposal, and I would appreciate having that statement included in the record.

Senator DeConcini. Without objection.

Commissioner Hallett. Mr. Chairman, I appreciate the opportunity to appear before you today.

Thank you.

[The statement follows:]

Statement of Carol Hallett

Mr. Chairman and members of the subcommittee, I am pleased to come before you today to present Customs fiscal year 1991 budget request.

Our fiscal year 1991 requested salaries & expenses appropriation is $1,120,086,000, an increase of almost $55 million above last year. Included in this budget request are increases necessary to maintain current operating levels as well as $27,474,000 and 221 FTE for new initiatives to upgrade Customs commercial and enforcement programs. The initiatives include a funding increase of $5,200,000 and 10 FTE, to implement improvements in Customs internal controls program, an area of concern during the past year. Finally, the administration is requesting support of our money laundering and Southwest border facilities programs.

On the whole, we believe that the administration's request for Customs salaries & expenses adequately supports Customs border interdiction capabilities and the automated commercial systems (ACS), the mainstay of our commercial program. It is a budget which will assist our efforts to increase drug seizures and deter drug smugglers, as well as provide better service to the Nation's importing industry.

The Customs air program operations & maintenance (O&M) appropriation request for fiscal year 1991 is $143,047,000. Although this request level appears to be significantly below the appropriated level of fiscal year 1990, it is actually an increase of $16,084,000 in funding for air operations. Nonrecurring costs total $103,400,000 for C^3I centers, P-3AEW modification, Citation aircraft, relocation of the Phoenix Air Branch, and refurbishing support helicopters. The request also includes $7,140,000 for maintaining the current level of operations and $8,944,000 to insure that newly acquired detection and interceptor aircraft will be fully operational in fiscal year 1991.

Customs is also requesting an fiscal year 1991 appropriation of $14,855,000 for its forfeiture fund and $2,152,000 for operations at the small airports funded by user fees.

The fiscal year 1991 budget request was prepared within the framework of the commercial processing and enforcement environment confronting Customs not only today, but also over the decade. It is a period where we will be faced with for growth in world trade, illegal activities and the need for better facilitation.

According to the best information available, for the decade ahead we foresee a doubling of trade, passengers, entries, and container processing. International world trade competition will grow as more economies mature and develop greater industrial capabilities. In addition, we believe the complexity of world trade will grow as this decade approaches the year 2000.

What do these impressive changes mean for Customs? The administration, the Treasury Department and the Customs Service firmly believe that now is the time to start the planning for these changes. We believe that we must maintain the effectiveness of both commercial and enforcement programs; most assuredly these programs are the business of the Customs Service. Programs implemented in previous years continue to produce good results and high productivity in processing, as well as enforcement returns.

As in previous years, the Customs workforce, using our automated systems, has efficiently coped with a growing workload. In fiscal year 1989, our staff processed close to 9 million merchandise entries, almost 115 million carriers and conveyances, and about 345 million persons. In fiscal year 1991, we are projecting increases in each of these areas.

On the revenue side, Customs in fiscal year 1989 collected $18.6 billion, up 6.8 percent from the previous year. By fiscal year 1991, revenues will top $20 billion. Our enforcement staff also has done a good job in stopping enormous quantities of drugs from crossing the border into the hands of young Americans. In fiscal year 1989, our heroin seizures were over 1,000 pounds while cocaine seizures were over 128,000 pounds. Needless to say, these seizures deprived the criminals' trafficking conspiracies of billions of dollars of illegal profits.

IMPROVED MANAGEMENT CONTROLS

A very important part of the administration's request is for $5,200,000 and 10 FTE to upgrade Customs internal controls and correct problems reported under the Federal Managers Financial Integrity Act (FMFIA). It is certainly an area which has received intense scrutiny within the Treasury Department and from the Congress.

This funding is needed to continue our efforts to permanently establish a strong system of internal controls and sound financial management systems within the Customs Service. With this funding we will expand our current FMFIA field review program, continue our account reconciliation program, improve our revenue accounting procedures, and complete the next critical phase of our new integrated financial management system, and the asset information management system (AIMS).

This initiative builds on our accomplishments over the past year in the areas of internal controls and financial management. In fiscal year 1989 we initiated an FMFIA improvement program to correct reported deficiencies. We have been largely successful in addressing these problems. We are particularly proud of our achievement in establishing a strong and effective administrative fund control system. Also, we were able to divert resources into other critical areas of internal controls and financial management.

Upon becoming Commissioner, I felt it was necessary to stress the importance of integrity. I strongly believe that the integrity of our employees and the programs of the Customs Service are among the best of all Federal agencies. Nevertheless, I can assure you that should problems arise, they will be vigorously addressed through prompt investigation and by full resolution of all allegations.

In addition, we are working expeditiously to solve the problems identified by the Congress related to seized and forfeited property. I can assure you that the problems we have encountered are in the past. We are searching for a new contractor and the rules they work under will be much tighter.

The following sections discuss our major programs, including current status, fiscal year 1990/1991 plans and strategies, accomplishments and new initiatives requested in fiscal year 1991.

COMMERCIAL ACTIVITIES

The Customs commercial programs implement U.S. trade policy and include the overall mission of appraisement, classification and collection of duties; effective enforcement of Customs laws, regulations, and other agency requirements for the control of carriers and cargo; and ensuring that imported merchandise meets all necessary requirements for entry into the United States. To carry out this complex task, customs has developed policies and procedures to: insure uniformity and accuracy of trade procedures; enforce laws and regulations that restrain harmful trade practices; and administer international codes and agreements.

A major challenge continues to be facilitation of cargo and entry processing while at the same time maintaining high compliance levels despite an increasingly complex workload. We are continuing to meet this challenge through the increased use of selectivity supported by the automated commercial system (ACS). Systems linking field operations with the Customs national computer, as well as automated interfaces with brokers, carriers, and other agencies have been implemented. These systems, together with other innovative procedures, such as our new pre-entry classification and binding rulings programs and efforts to improve and enhance broker compliance, are working to bring about improved quality and uniformity in imported merchandise processing. Additionally, initiatives have been undertaken to greatly increase the use of computer assisted audit techniques and audit targeting.

By automating most of the duty assessment systems, the increasing volume of entry paperwork is now being processed more cost-effectively and efficiently. Along with these innovations, we are looking to eliminate as many paper forms and requirements from the entry process as possible. Our efforts in this area have led to an international leadership role in the development and testing of electronic data interchange, which one day will result in the electronic transmission of invoice and other entry-related data among the international business community.

PREPARING FOR THE FUTURE

In the next decade, we are preparing for another explosive growth in trade. Duty collections have increased from $6 billion to almost $20 billion since 1978. By the year 2000, we expect to collect up to $40 billion. In the early 1980's there were four million formal entries: by 1988, that figure had risen to 9 million, and by the year 2000, we are projecting growth to 20 million entries.

To prepare for such dramatic workload increases, we have initiated such programs as: development and refinement of the automated commercial system; improved uniformity of processing; and elimination of workload backlogs. We will continue our commitment to the detection, deterrence and prosecution of commercial fraud; protected intellectual property rights through improved selectivity; and uniform international commercial processing procedures.

In the next two years, we will concentrate on achieving paperless commercial processing. The first major step in accomplishing this goal is to automate information collection requirements of the approximately 40 agencies for which Customs collects data. Additionally, further automation of quota and visa functions is planned.

FISCAL YEAR 1990/1991 ACTIVITIES AND STRATEGIES

During this period we will see dramatic changes in Customs commercial activities. The harmonized tariff system and the Canadian Free Trade Agreement have now been implemented, along with a number of innovative Customs programs, such as our new binding rulings program.

Our major goals in the upcoming years will be to: continue the development and refinement of ACS; continue our commitment to the detection, deterrence and prosecution of commercial fraud; improve productivity and resource control, thereby furthering our paperless entry goals; increase the uniformity of commercial entry processing; facilitate the movement of cargo; oversee a smooth transition into the implementation of the harmonized tariff schedule; and focus our audit capabilities on fraud detection and violation of trade agreements by enhancing the use of computer assisted audit techniques. We will also continue to make every effort possible to address the needs of the increasing number of trade control programs designed to protect domestic industry.

UNIFORMITY

Customs has instituted significant new procedures to insure the uniformity of commercial processing. In January 1989, the United States adopted the harmonized tariff schedules (HTS) which contain about 14,000 commodity breakdowns. The harmonized system provides the U.S. and other trading nations with a uniform basis for classifying merchandise and is used by U.S. exporters as the basis for classification of exports. Overall, the harmonized system has diminished paperwork requirements among participating countries and set the stage for automated point to point clearance of goods transferred from one country to another.

In addition, Customs has implemented a new 30-day classification system which makes importing more uniform, and which makes it easier to determine duty rates in advance. The district binding ruling program has provided a modern and commercially meaningful approach to fulfilling Customs mission. To date, in excess of 15,000 rulings have been issued and, most importantly, no deadlines have been missed.

Also planned for early 1990 is a capability for electronic mail between Customs and automated broker interface (ABI) users which provides a faster, more efficient means of corresponding, resulting in more timely and uniform action on questions and issues.

REGULATORY AUDIT

The use of regulatory auditors is a key element in our multidisciplinary approach to controlling commercial activities. Many of the innovative techniques implemented in our regulatory audit program are aimed at maximizing results. To enhance our audit capabilities, we have automated the audit process and expanded our capability for identifying and targeting audit candidates. Our goal is to continue to improve productivity in the many areas of audit responsibility including improving the timeliness of collections based on audit recommendations.

PREENTRY CLASSIFICATION PROGRAM

We developed and implemented a pre-entry classification program on January 1, 1989. The system expands the oversight role of our national import specialists. Initially we have identified high volume importers and commodities involving multiple ports of entry for participation in the program.

For most requests, we will issue a binding ruling in 30 days of the request. More difficult and far-reaching issues will continue to be decided by attorneys in our headquarters office of regulations and rulings. We believe the 30-day period is sufficient to respond to most classification questions. With the implementation of this program, all written classification advice from Customs will be binding. Line review classification decisions given in writing are also binding.

These programs have been developed to provide the timeliness and uniformity which importers need, as well as providing a control point for Customs in facilitating both quality and uniformity in our classification decisions.

COMMERCIAL FRAUD

Customs continues to be confronted with a growing fraud threat. Prohibited merchandise continues to enter our domestic commerce through the use of false documentation, counterfeit visas and export licenses, use of third countries as transshipment points, and unintentional misdescription. In addition, revenue losses are sustained due to undervaluation and the shipment of excess merchandise not declared upon entry.

The shift of resources to significant fraud investigations has produced excellent results in recent years. Domestic industries have been protected from unfair and illegal international trade practices, and the government has received substantial monetary returns from criminal fines and civil penalties. We will continue to use multidisciplined fraud teams, which employ the expertise of special agents, import specialists, inspectors, regulatory auditors, legal counsel, and technical staff. High-risk commodities such as textiles, wearing apparel, steel, coffee, and electronics will continue to be targeted, as will the detection of copyright and trademark violations. Increased prosecution and penalties from these investigations will play a major role in ensuring that revenues are collected and that the integrity of trade agreements is maintained.

Customs will continue to give commercial fraud a high priority, particularly the problem of transshipment which continues to concern us from both a revenue loss perspective and as a trade policy issue. Transshipment of goods can occur for practically any fraudulent purpose and is generally accomplished by falsifying the country of origin. In the next two years, Customs will be paying increased attention to cases with a high expectation of revenue recoveries and enforcement of trade protection laws.

CUSTOMS FIELD LABORATORIES

As part of Customs overall commercial and enforcement effort, Customs field laboratories have significantly expanded their role in supporting investigations of commercial fraud, providing analytical data needed to determine admissibility, assessing the proper duty of imported merchandise, and in conducting effective forensic investigations. Significant progress was made in fiscal year 1989 toward updating and replacing obsolete laboratory instrumentation. A major thrust during fiscal year 1990 and fiscal year 1991 will be to employ highly sophisticated instrumentation needed to provide protection of intellectual property rights. Another top priority of the laboratory system will be to develop new laboratory methodology to accommodate the harmonized tariff schedules. In a trade sensitive world, a particularly critical issue for the laboratories is the determination of the country of origin of various commodities.

FINES, PENALTIES, AND FORFEITURES

Our major objectives for the fines, penalties, and forfeitures (FP&F) program will be to: further enhance the national FP&F automated system; standardize FP&F field practices and procedures; and establish procedures for prompt collection of fines, penalties and liquidated damages. Automating our workload will enable us to provide consistent, legally sufficient notices to violators, as well as help to ensure prompt action on cases by facilitating inquiries on case status. We plan to continue our efforts to collect outstanding FP&F debts and reduce case backlogs.

UNITED STATES/CANADA FREE TRADE AGREEMENT

The U.S./Canada Free Trade Agreement (FTA) implemented January 2, 1989, creates the world's largest free trade area. It is the most historic, far-reaching trade agreement ever concluded, breaking new ground in removing barriers to trade in areas of tariffs, investments, services, agriculture, and business travel. In fiscal years 1990 and 1991, we will continue implementation and phased-in user fee reductions and accelerated duty reductions.

AUTOMATED COMMERCIAL SYSTEM (ACS)

ACS is Customs comprehensive automated system for tracking and controlling commercial processing. The system is now processing a growing volume of merchandise entries, revenue collections, entry liquidations, and an increasing number of broker transactions. The number of customs and trade community systems users grew substantially during fiscal year 1989. Currently, over 80 percent of all entry summaries are transmitted via automated broker interface (ABI). The success of this program is an excellent example of government and private industry cooperation.

Significant new capabilities have been implemented, bringing ACS ever closer to meeting the full needs of its users and to our goal of completely automating commercial processing. These new capabilities include: importer payment of estimated duties and taxes via electronic funds transfer and operational programs for electronic (paperless) entry and entry summary processing. Today, over 60 percent of inward ocean bills of lading are captured electronically through the automated manifest system (AMS) which promotes paperless processing while providing enhanced enforcement and audit capabilities. AMS is currently in 71 ports and further expansion is planned for fiscal years 1990 and 1991.

CARGO SELECTIVITY

Cargo selectivity is designed to identify low-risk cargo for quick processing with substantial savings in personnel resources. Cargo selectivity has been enhanced to incorporate a comprehensive track record of importers and commodities. Discrepancies found during cargo examination will be written into the history file. Ultimately, the system will permit us, through the use of pre-programmed criteria, to process selected cargo and entries with a minimum of hard copy documentation.

COLLECTIONS AND DEPOSITS

Conforming with the Federal Managers Financial Integrity Act (FMFIA) ACS finance system collection and deposit processing was recently overhauled. Improvements on accounts receivable, deposits in transit, untimely deposit reports, tracking of serially numbered forms to individual inspectors, and a revised debit voucher process are underway.

The automated clearing house (ACH), an electronic payment system, replaces paper checks, and will be the preferred payment method for ABI. The system became operational in January 1990. Plans are currently underway for an expansion of the ACH capability to allow the payment of Customs bills.

INTERNATIONAL AFFAIRS

There has been an explosion of growth in the global interest and application of Customs programs. This growth requires an international strategy that responds and coordinates our support of international commercial and inspectional programs. Customs relationships with its foreign counterparts continue to be critical. There is increased interest in bilateral agreements. Currently, there are formal agreements with 12 nations. Customs is presently in the process of negotiating, ratifying or signing agreements with 10 more countries.

Customs has, as you know, made significant contributions in the negotiation of the international convention against illicit traffic in narcotic drugs and psychotropic substances. The Senate ratification of the convention will provide the much needed support in the Customs areas of asset forfeiture, commercial carriers, mail, free trade zones, law enforcement assistance and cooperation, and precursor chemicals.

The U.S. Customs Service hosted the 1989 plenary meeting of the Customs Cooperation Council (CCC) this past summer. It was at this meeting that the Customs Service convinced the CCC to adopt the U.S. proposed Washington declaration, for undertaking a comprehensive initiative for simplifying, standardizing, and harmonizing customs procedures.

USER FEES

Currently, Customs collects user fees for a variety of services mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The COBRA fees were effective on July 7, 1986, and cover service provided primarily for conveyances (trucks, railcars, vessels, private yachts/aircraft, etc.) and passenger-related (air and sea) Customs processing. On December 1, 1986, an additional user fee was mandated by the Omnibus Budget Reconciliation Act of 1986 (OBRA), for the costs of processing commercial merchandise. The merchandise processing fee (MPF) is currently an ad valorem fee of 0.17 percent assessed on the value of commercial merchandise entries. Both fees are scheduled to end on September 30, 1990.

In response to complaints from member nations of the general agreement on tariffs and trade (GATT) organization, the MPF was found to be in violation of GATT rules primarily because the ad valorem fee was not directly linked to costs of services rendered and because revenues collected were in excess of customs processing costs.

In order to comply with the GATT decision, the administration will be submitting fiscal year 1991 legislation proposing that the current ad valorem rates be replaced by a modified ad valorem rate system which includes a cap on the amount paid. As currently envisioned, this new fee will approximate as closely as possible the costs of these operations. The legislation also will include a renewal of the COBRA type fees, permitting use of these fees for regular processing.

INSPECTION AND CONTROL

Customs inspectors are stationed at our air, land, and seaports to process persons, cargo, and carriers entering the United States and to enforce our trade laws.

Customs inspectors have improved enforcement effectiveness and cargo facilitation by switching to more selective inspections. This has been made possible by the introduction of computer-assisted entry processing. The results of selectivity have been better facilitation for passengers and cargo, more efficient use of resources, and improved enforcement.

Included in this program are cooperative efforts with foreign customs services which provide pre-arrival information of passengers from high-risk countries; increased emphasis on high-risk private aircraft and small vessels; improved canine enforcement; and testing of new examination/enforcement systems for cargo control.

Customs has installed automated passport readers at every major U.S. airport to streamline computer checks and thus, the entire inspection process. Customs is working with airlines and airports to further capitalize on the latest technology to optically read international travel documents, and with the immigration and naturalization service (INS) we have begun consolidating and streamlining inspection functions at airports. All of these efforts will result in improved passenger processing and will maximize the law enforcement capabilities of both INS and Customs.

UPGRADED INSPECTION AT THE SOUTHWEST BORDER

Customs is requesting $10 million and 175 FTE to upgrade inspections along the Southwest border. These resources will provide for an increase in the detection of narcotics. The addition of these personnel will also reduce the delays normally accompanying intensive inspections and increase the detection of commercial violations.

CANINE ENFORCEMENT PROGRAM

Customs canine enforcement program is integrated into the overall customs enforcement strategy in two areas: drug detection and interagency/international assistance. Canine program resources are primarily aimed at interdicting narcotics; however, our training center in Front Royal, Virginia, assists the law enforcement community and foreign governments by training canine officers. The cooperative effort greatly enhances State and local narcotics task forces and contributes significantly to the international seizure of drugs destined for the United States. We have initiated a canine pilot project to use trained cocker spaniels to detect narcotics in international airport passenger processing areas.

To support the success of this program, Customs is requesting $5,400,000 and 23 FTE in fiscal year 1991 to expand the training center and to increase canine enforcement. Expansion of the canine training center will increase the capacity of the facility by 80 teams annually and allow it to be utilized throughout the year. In addition to providing a proven effective interdiction program, resources added to the canine enforcement program have a facilitating impact on the screening of conveyances, cargo, and passengers.

SPECIAL OPERATIONS

Recently Customs has pursued special operations to improve enforcement efforts—Operation Winternight and innovative carrier programs.

Operation Winternight is a joint Customs/DEA program whereby DEA field offices in Central and South America are reporting narcotics intelligence into the El Paso Intelligence Center (EPIC) which is then incorporated into the Customs automated commercial system (ACS) selectivity module. Winternight resulted in the development of 1,649 national narcotics criteria being placed within the ACS selectivity module. Criteria have played a significant role in the seizure of 10 pounds of heroin, 3,200 gallons of acetone, 2 tons of marijuana, and 650 kilos of cocaine.

With the recent advent of the Customs automated manifest module (AMS), within the ACS system, Customs and DEA feel that the Winternight program can be greatly enhanced to target high-risk narcotics shipments in commercial cargo. In addition, DEA and Customs will be looking to expand the Winternight program into Southeast Asia.

In efforts to establish a drug-free work place for commercial carriers, Customs is increasing the standard of control in super carrier agreements. The agreements will be tailored to each carrier and location depending on risk levels and must be certified by the individual carrier as being fully implemented. Customs will perform selective foreign surveys; if the carrier complies with its agreement, penalties in cases of narcotics smuggling may be reduced.

AIRPORT SECURITY PROGRAM

The purpose of this program is to identify those individuals who require unescorted access to Customs processing areas and to limit that access to those individuals who do not appear to pose a threat to these areas. Since implementation, we have conducted checks on over 175,000 employees whose duties require them to have access to the Customs airport processing areas. We have identified and denied access to 1,683 individuals who pose a threat and arrested 172 people based on information uncovered. In addition, we provide ongoing training for our personnel on local contingency plans and the identification and interdiction of terrorists.

UNITED STATES-MEXICO COOPERATIVE EFFORTS

Customs has opened communications with Mexican Customs to solve some of the bottlenecks that impede commercial processing. This effort has led to expanded regular hours of service; a commitment from Mexican Customs to limit the release of shipments not ready for U.S. Customs processing; use of the U.S. import lots as parking lots; and Mexican Customs development of a pilot automated system that would eliminate batch processing. The latter project is expected to result in a smooth flow of truck traffic from Mexico.

Recently, an innovative program has been developed at western ports for speeding the entry of assembly plant goods (maquiladoras) from Mexico to the United States. The customs services of both countries have agreed to test a tripartite agreement. It is designed to facilitate the entry of maquiladora products while maintaining the level of vigilance necessary to prevent the smuggling of contraband. Plants that pass security requirements and maintain standards set forth in the agreement will enjoy the benefits of rapid Customs inspectional processing.

LINE RELEASE

First tested in the Buffalo district in late 1986 for use along the Northern border, line release has been expanded to 41 sites along our Northern and Southern borders. Line release was developed to meet the increasing demands for efficient, timely customs processing of truck cargo and is designed to work within the ACS selectivity system. Line release uses bar code technology for monitoring and tracking pre-approved, repetitive, low-risk shipments while allowing Customs to concentrate on high-risk shipments. As a result, truck traffic congestion at high volume locations has been reduced. Customs will install line release networking at 11 additional sites this fiscal year.

NORTHERN BORDER PROCESSING

The establishment of commercial centers and permit ports allows Customs to more efficiently concentrate its resources, particularly its cargo examination equipment, at specific locations. The initial test of the commercial center/permit port system worked very well so the system was expanded to 27 designated commercial centers, which handle over 90 percent of all Northern border cargo. The remaining ports are permit ports. Under the system, as much cargo is funneled to the commercial centers as possible, however, low-risk cargo can enter at other ports under certain specified conditions. Current staffing levels, hours of service, passenger processing, informal entries and noncommercial shipments are not affected. Each commercial center has line release.

ENFORCEMENT

The Customs drug law enforcement program has been developed in accordance with the 1990 national drug control strategy in coordination with the Office of National Drug Control Policy. Consistent with initial goals of the strategy, the Customs enforcement effort is directed at interdicting the enormous flow of drugs crossing our borders. Again, as directed by the strategy, Customs programs attack the drug trafficker directly at the border—including land, sea, and air—as well as attacking the money network financing these illicit activities. We believe that this comprehensive attack is paying off and the sizeable drug and currency seizures recorded clearly demonstrate the overall success of the effort.

FINANCIAL LAW ENFORCEMENT PROGRAM

The Customs financial enforcement program focuses on the illegal flow of proceeds of major criminal enterprises. The objectives are to interrupt that flow, seize the assets of the enterprise, and follow up with successful prosecutions of the conspirators and the organizations violating the Money Laundering Control Act, and/or the Bank Secrecy Act (BSA).

The Customs strategy is to target and aggressively pursue money laundering organizations at the point of the initial disposal of the cash into international channels—the "placement stage". Customs is disrupting international fund transfer by identifying the funds, the laundering methods, and the financial infrastructure.

To this end, Customs has been an active participant in establishing the financial crimes enforcement network (FINCEN). FINCEN is an all source, all financial crimes intelligence initiative, which integrates the analysis of data from Federal, State and local law enforcement and regulatory agencies as well as from the financial, industrial and private sectors, both in the United States and abroad.

The financial law enforcement program also comprises multiagency and/or international joint financial task forces, located in cities throughout the United States, and over 20 foreign countries. In fiscal year 1989, the financial law enforcement program seized $225 million in monetary instruments (a 37 percent increase over fiscal year 1988); issued $34.6 million in civil penalties (a 276 percent increase) and shared $31.3 million in monetary instruments with State and local law enforcement agencies (a 250 percent increase).

For fiscal year 1990, Customs is training Federal, State, local and foreign law enforcement officials on managing financial intelligence; expanding Customs involvement in joint efforts with foreign law enforcement authorities to disrupt international money laundering organizations; and improving the financial information exchange between law enforcement and regulatory agencies.

In fiscal year 1991, Customs goals are to develop information on additional methods of combatting international money laundering, develop a computerized reference library for money laundering legislation and investigative authority throughout the world, and increase the number of money laundering investigations. We are requesting an initiative of $1,574,000 to continue our efforts in money laundering international and national criminal investigations.

STATE, LOCAL, FEDERAL COOPERATION

Customs experience has shown that an effective use of Federal interdiction resources is enhanced by joint efforts with State and local law enforcement agencies. Toward this end, Customs has undertaken several ongoing joint initiatives with

State and local enforcement agencies. The Blue Lightning Strike Force in the Southeastern United States, initiated in early 1985, and the "alliance" plan, for the Southwest border, are proving that successful results can be obtained from a cooperative enforcement effort. The JFK narcotics smuggling unit in New York, a joint effort between Customs and the drug enforcement administration, continues to make progress against conspiracies to smuggle narcotics through the New York and New Jersey ports. Similar joint efforts are being conducted in San Diego.

Another important joint effort involves border inspections. Operation Guardian has proven especially successful along the Southwest border and in south Florida. In this program, the National Guard is trained in the physical examination of cargo, particularly containers. The Guard has participated directly in the seizure of over 7,900 pounds of cocaine, 6,800 pounds of marijuana, 15 pounds of heroin, and over $232,000 in merchandise.

CHILD PORNOGRAPHY

Customs is committed to stopping the importation of pornography which exploits children. Special enforcement teams have been developed throughout the country to inspect suspect mail and arrange controlled deliveries. An intelligence data base of suspect countries, companies and importers will be expanded in fiscal year 1991.

INTELLIGENCE

Intelligence plays a key role in enforcement operations and management decisions in the areas of narcotics enforcement, critical technology, commercial fraud and financial analysis. Customs intelligence requirements have been communicated to the intelligence community, other Federal and State law enforcement agencies, and all Customs elements. These collection requirements have increased the flow of pertinent information from the intelligence community which is then processed and disseminated to front-line Customs agents and inspectors worldwide.

Customs has developed a capability whereby suspicious currency movement is targeted by computer, based on "expert system" rules. The system thus far has targeted the financial activities of over 400 individuals or companies. This capability will soon be expanded to other areas of Customs interest.

EXPORT ENFORCEMENT

The customs exodus program is a major enforcement effort directed against violations of the Arms Export Control Act and the Export Administration Act as amended in 1985. These violations typically involve the illegal export of sensitive technologies, critical items of equipment, arms, munitions, weapons systems, and computer systems from the U.S. to prohibited foreign destinations. The scope of the exodus effort has also been expanded to include enforcement of sanctions and embargoes.

The exodus program has moved into increasingly sophisticated areas involving missile technology, nuclear technology, and advanced weapons systems. The program has demonstrated the existence of a broad network of international front companies, multinational conspiracies, and complex diversion schemes that pose a major and growing threat to national security.

From the inception of the program, there have been 6,987 seizures of merchandise valued in excess of $511 million, 1,070 arrests, and 688 convictions for export violations.

In conjunction with the drug enforcement administration, we are working to identify shipments and exporters of precursor chemicals being diverted to the processing of illegal drugs. Another recent initiative involves the issuance of new regulations on the export of used cars in an effort to interdict stolen vehicles.

AVIATION PROGRAM

Air interdiction is an integral component of the Federal war on drugs. Drug smuggling organizations have access to huge sums of money to purchase well-equipped aircraft and sophisticated equipment to evade detection and to elude interdiction efforts of Customs air units. In order to effectively disrupt this threat, Customs strategy has been to acquire state-of-the-art equipment, configured into air interdiction modules that are controlled and directed by a centralized command structure.

Aircraft currently operated by Customs include: jet interceptors equipped with radar and infrared detection sensors, high performance helicopters, single and multi-engine support aircraft, and airborne detection platforms. Radar equipped aerostats provide additional detection and tracking capabilities. Three aerostats are operational and three aerostats are under development along the Southwest border. Further, Customs is acquiring and modifying additional Citation II aircraft, which will bring us to the module design level for interceptors. During fiscal year 1989, Customs accepted delivery of seven Nomad aircraft enabling Customs to substantially increase its effectiveness at marine threat detection. In addition, a second modified P-3AEW became operational in April 1989.

In fiscal year 1989, the aviation program seized 71,104 pounds of cocaine (up 26 percent) and made 548 arrests (up 16 percent).

Ultimately, the overall effectiveness of the full aviation program is dependent upon the C^3I system and detection network of airborne and ground-based radars. Customs believes that the continued implementation of strong centralized management of assets and the build-up of C^3I will result in optimum use and flexibility in the deployment of assets, thereby increasing the effectiveness of Customs response to the dynamic and ever changing smuggling threat.

During fiscal year 1990, the remaining aerostats along the Southwest border will be in development. We will initiate action to procure and modify ten additional interceptor aircraft and acquire and modify one additional P-3 to the P-3AEW configuration; for both delivery will begin in fiscal year 1991.

During fiscal year 1991, we will accept delivery of the first two interceptor aircraft procured and modified during fiscal year 1990. The aviation program will continue to integrate all newly acquired assets and personnel to enhance all interdiction activities and provide increased support to other facets of Customs interdiction and enforcement operations.

MARINE PROGRAM

The Customs marine program protects the sea approaches of the Nation's borders. To counter the increased smuggling by pleasure craft and fishing vessels, customs is working to improve its detection, sorting, interception, tracking and apprehension capabilities. Major emphasis is on detecting high-risk targets from legitimate traffic, which should result in increasing seizures.

The Blue Lightning Operations Center (BLOC) at Miami is now collocated at the C^3I-east facility. Bloc functions include detection, secure communications, and access to an intelligence data base as well as exercising command and control over numerous Federal, State and local law enforcement resources.

Fiscal year 1989 was a highly successful year for the Customs marine program. Marine personnel conducted 8,627 law enforcement boardings and were responsible for the seizure of 39,897 pounds of cocaine, 159,378 pounds of marijuana, 50,404 pounds of hashish, 254 smuggling vessels and 48 smuggling aircraft, along with arresting 932 drug smugglers.

SUMMARY

In carrying out its commercial and enforcement missions, Customs must balance the requirements for facilitating the legitimate movement of passengers and cargo into the United States while enforcing our Nation's laws. Maintaining this delicate balance requires that Customs use all available resources most efficiently and that it closely coordinate with all participants in the trade community. I believe Customs has made great strides in meeting these objectives. We will continue to improve on those efforts.

This concludes my statement.

I am ready to discuss the details of the request and answer your questions and those of the subcommittee members.

DRUG STAFFING LEVELS

Senator DeConcini. Thank you, Commissioner Hallett.

Does anyone else wish to make a statement—no other takers.

I'd like to get to the problem that has been raised in the drug strategy and the budget by the Senator from New York and the Senator from New Mexico and that I raised, as well, at the Judiciary Committee hearing and also at our budget hearings on the fiscal year 1991 proposed staffing levels. These levels are so different than the 1990-enacted levels where Customs may actually lose, if I understand it correctly, 757 positions; is that accurate?

Commissioner HALLETT. That is correct, 314 for this year and 443 for 1990.

Senator DECONCINI. I don't know how you expect to do either of your major tasks here when virtually every program activity with the exception of internal affairs and investigation support are being significantly reduced.

The Judiciary Committee and this committee had Secretary Bennett before us and we talked about the pay absorption and the problems with that policy. Mr. Carnes, his chief administrative officer, when he appeared before the Judiciary Committee—and I don't want to quote him, but I will have that quote shortly—indicated that they were going to go back through the budget process and do something about the pay absorption reductions, and that there would not be any losses, that is net losses. But then Secretary Bennett indicated at our hearing here, and his words were something to the effect that, unfortunately, the reductions would have to be taken from nondrug-related activities, using the comparison of robbing Peter to pay Paul, he being Paul; he said he didn't like it.

I liked what Mr. Carnes said much better. He said he was going to go back and try to come back to us with some substantive remedy to the pay absorption problem.

What do you think, Commissioner? Is there any movement in Treasury, OMB, or the drug czar's office to not insist that you absorb the increases in the enforcement side at the expense of other programs within your organization?

Commissioner HALLETT. Well, Mr. Chairman, it is a difficult question to answer. Certainly there is no question but what we feel any net decreases in our numbers. And yet with sequestration and absorption, this is the direction that we have had to take this year.

On the other hand, I am optimistic about our ability to do the job with those resources, and I would like to just touch on several of them, both on the enforcement side as well as on the commercial side, because automation on both sides has had a very beneficial impact for us. In fact, a recent Treasury report shows that our automation at the Customs Service has given us the equivalent of 6,500 positions that were not necessary because of the replacement by automation. This is beneficial; certainly this does not do the job. But through selectivity, certainly the military support, DOD support, through the addition of the National Guard's assistance, the interagency border inspection system [IBIS], and better intelligence, all of this is leading to a capability to do more with less.

I think we have another area that is going to be extremely important this year, and that is the agreement that we are working to implement at this time with DEA which will provide for 1,000 Customs agents to be cross-designated by DEA to do both money laundering and drug smuggling investigations, which we have not been able to do in the past.

All of this is of course important. On the other hand——

Senator DECONCINI. That is all fiscal years 1990 and 1991, right?

Commissioner HALLETT. This is all 1990 and 1991.

Because of course, the IBIS funding, $7 million for IBIS in 1990, the cross-designation, the addition of more National Guardsmen, certainly more military support—all of this is for both 1990 as well as 1991.

We are cutting travel, we are cutting equipment, we have cut special operations from $7 million down to $2 million. Along with all of the other agencies, I think it is fair to say that we are indeed doing our fair share in deficit reduction.

At the same time, I think that when you look at some of our successes in both the air program and the marine program, certainly, these do indicate that we have had some considerable level of successes, and I think it allows us some flexibility we might not have enjoyed otherwise.

EFFECT OF STAFFING REDUCTIONS

Senator DECONCINI. Let me go to fiscal year 1991 for a moment, although I want to get back to this. What is going to be the impact on Customs activities if the entire increased cost of the AUO estimated to be $13.6 million were to be taken from the nondrug side of Customs? What will you have to cut?

Commissioner HALLETT. Well, Mr. Chairman, it would simply be an impossibility if we were to take those cuts from the nondrug interdiction side of the Customs Service. It would mean that they would have to come directly from the commercial side of the operation. That is 200——

Senator DECONCINI. Excuse me, Commissioner. Have you been directed to take them from anyplace, or across the board?

Commissioner HALLETT. No; that is the decision we have made, is to make across-the-board cuts——

Senator DECONCINI. Including the drug enforcement area?

Commissioner HALLETT. Yes; and that is not only for——

Senator DECONCINI. That is contrary to what Secretary Bennett says is going to happen. He obviously is not calling the shots if that is the case.

Commissioner HALLETT. Well, we have not been directed to do that, Mr. Chairman, in terms of taking those cuts from other than the drug enforcement side.

Senator DECONCINI. I see. So your policy in Customs is to spread it across every program, unless directed otherwise.

Commissioner HALLETT. For both AUO as well as health benefits and salary increases, yes; that is across the board.

Senator DECONCINI. Just out of curiosity, who would direct you to do otherwise? Would it be the Secretary or OMB?

Commissioner HALLETT. Certainly we could be directed by either.

Senator DECONCINI. I'm not sure it's a good idea to rob Peter to pay Paul. That's wrong. What I'm concerned about is that as we move through this process, we make some adjustments in this. If the war on drugs is going to be the primary issue as laid out in the strategy, and the Secretary or the drug czar says we are not going to reduce the levels on the enforcement side in the strategy, and there is an increase there for Customs, and yet your policy is, you feel, to take it across the board, it is really a difficult situation. I see us losing the war on drugs if we continue down that path.

Commissioner HALLETT. Well, Mr. Chairman, we actually lack the authority to take those FTE cuts for AUO from the commercial side. It would require authority that we do not have. And I might point out in addition that we have just recently made Dr. Bennett aware of our plans in this area, and I have not further discussed that with him.

Senator DECONCINI. What authority would you need? Would you need statutory authority, or can you do that——

Commissioner HALLETT. Yes; I think maybe it is appropriation authority.

Senator DECONCINI. But it would take—Mr. Hamilton, maybe you know the answer—it would take changing the law, in your opinion?

Mr. HAMILTON. The appropriation language, Mr. Chairman, essentially establishes a commercial floor for the Customs Service, and to absorb AUO from the commercial side would take an adjustment to that commercial staffing floor——

Senator DECONCINI. Yes; so we haven't established the floor, and it depends on what we do with the 1991 budget; is that right?

Mr. HAMILTON. That's correct.

FISCAL YEAR 1990 SUPPLEMENTAL DRUG FUNDING

Senator DECONCINI. I noticed in some briefing sheets that all of the funds provided in the fiscal year 1990 transportation bill for drugs will be fully allocated, and since funds provided in the regular bill will be reduced, did OMB give you any guidance on this?

Commissioner HALLETT. In terms of the allocation of funding——

Senator DECONCINI. Yes; on the allocations.

Commissioner HALLETT. I am sorry I am not able to answer that question, but Mr. Hamilton may be able to.

Senator DECONCINI. Mr. Hamilton, did OMB give you guidance and tell you what to do with all this?

Mr. HAMILTON. The Byrd-Hatfield amendment which provided the $18 million in supplemental funds for 1990. Initially, our direction was that the funding source had been accommodated, and there would be no sequester against that. The later guidance was that there was to be a sequester amount taken against that——

Senator DECONCINI. Against the $18 million?

Mr. HAMILTON. Yes——

Senator DECONCINI. So you took that off—what was that, one——

Mr. HAMILTON. It was 1.4 percent.

Senator DECONCINI. It was 1.4 percent off of the $18 million.

Mr. HAMILTON. Yes, sir.

Senator DECONCINI. And that's the guidance that OMB provided?

Mr. HAMILTON. That is the guidance at this time, yes, Senator.

CARGO CONTAINER EXAMINATIONS

Senator DECONCINI. During last year's hearing, I asked the former Commissioner how examinations of cargo containers would increase in fiscal year 1990 if we funded the $28 million initiative. He stated that in 1989, Customs was performing examinations on 4 percent of all cargo containers coming into the United States and that this number would increase to 6 percent in fiscal year 1990. He further stated that with the additional funding, Customs would increase the rate of examination on containers arriving from cocaine transshipment countries from 20 to 30 percent. With the reduction slated for the cargo container initiative in fiscal year 1990, what will be the percentage of all cargo containers coming in from cocaine transshipment countries that you will be able to examine?

Commissioner HALLETT. Well, Mr. Chairman, I think that we have basically stayed on track in that area. The cargo container inspection is now nearing 30 percent for high-risk source and transit countries. At the same time, we have a three-pronged focus in this area of targeting suspect shipments effectively. Certainly our examinations have provided for an increased level of inspection as well as, I think, greater quality in inspection, and trade participation, enlisting the assistance and cooperation of the trade community, combined with the National Guard, which has given us a tremendous boost in this area. Our canine teams have been invaluable. This has really helped make a difference in the whole——

Senator DECONCINI. You are able to do that, Commissioner, without the $28 million?

Commissioner HALLETT. Yes; I think it is very fair to say that we have, Mr. Chairman.

Maybe I should also point out that we probably will not get to 6 percent on all containers. In all honesty, I don't think that it is really necessary to get to 6 percent because if we are able to do 3 or 4 percent for containers from EC countries and Japan, then that is going to be sufficient. Then if we target the other high-source areas and the high-trafficking areas, that will certainly help us.

Senator DECONCINI. Then I guess I can conclude that you are able to come very close to the transshipment countries, and instead of making 6 percent, which was double the previous, what are you going to do—5 percent, or——

Commissioner HALLETT. I think 3 or 4 percent.

Senator DECONCINI. Would you expect that to increase at all next year under current——

Commissioner HALLETT. I don't really think that we have the capability to see that increase much.

Senator DECONCINI. And will you be able to sustain close to 30 percent of the transshipment?

Commissioner HALLETT. Yes, yes.

Senator DECONCINI. What would it cost for the record, if anybody knows, Commissioner, if you were to try to get 6 percent? What additional funding would it take for 1991?

Commissioner HALLETT. Well, I guess it would be ballpark to say around $25 million.

Senator DECONCINI. About $25 million. So really the loss here comes from the total commercial area and not from the high-risk countries?

Commissioner HALLETT. That is correct.

INSPECTION POSITIONS

Senator DECONCINI. Your 1991 budget includes an additional $10 million and 175 inspectors for the Southwest border, yet your justification shows an increase of only 77 inspectors from the 1990 estimate. Will the Southwest border actually be getting an additional

175 inspectors over the level which is currently allocated, or will they receive a lesser amount, since the staffing level for inspectors is increasing by only 77?

Commissioner HALLETT. Mr. Chairman, there will indeed be a net increase of 175 positions along the Southwest border. I think it is very important. In fact, the breakdown is Brownsville will receive 25, Nogales 25, Laredo 25, El Paso and San Ysidro both 50. I do not anticipate any change.

You are correct that the 77 net loss will be swallowed somewhere else.

Senator DECONCINI. That's very good news for the Southwest border, but I sure think it is awful that you have to absorb it someplace else. I know you probably don't disagree with that, although you may not be able to say so.

What additional resources from the high-intensity designation of the Southwest border have you been asked to provide in the fiscal year 1990 budget to respond to the drug czar's designation and his strategy?

Commissioner HALLETT. Well, one of the areas in which I think we will have a significant role, along with the Treasury Department, is of course through Operation Alliance. That will continue to provide a great deal of support on the Southwest border. I think that, combined of course with our addition of the 175 inspectors, with an increase in our air program, certainly the National Guard again—I keep coming back to the National Guard, and I just want to make a comment that they are doing an incredible job for the United States and certainly for the Customs Service, and that is going to have, again, continued significance.

Back again to the cross-designation of the 1,000 Customs agents over the next 18 months by DEA. We are targeting, in fact, in our implementation discussions the high-intensity areas where we would go to those areas first in an effort to work this out. So I think that, combined certainly with the Maquiladora program, which is helping us in the effort of bringing not only cargo back and forth, but the way in which we have worked out agreements with the Maquiladora people for security, is going to really make a difference in those high-intensity areas.

CROSS-DESIGNATION OF CUSTOMS AGENTS

Senator DECONCINI. Commissioner, relating to the cross-designation, is that moving at a pace you are satisfied with, the 1,000 Customs agents to be cross-designated and the cooperation level there? Is that a maximum from your standpoint?

Commissioner HALLETT. Well, we signed the agreement between Treasury and Customs, DEA and the Attorney General's Office on January 10. We are working to implement that. I am optimistic——

Senator DECONCINI. How many have been cross-designated; do you know?

Commissioner HALLETT. No additional people over the approximately 225 that are currently cross-designated have further been cross-designated because we have not worked out the final implementation yet. We have a meeting tomorrow morning with Mr.

Lawn and Mr. Burke, and I am hopeful that we will be able to resolve some of the fine-tuning problems that do exist.

Senator DECONCINI. Do the fine-tuning problems include the sharing of assets under section 881?

Commissioner HALLETT. No; in fact, Mr. Chairman, that is a separate issue which we agreed—and it is actually written into the agreement—that we will work on separately. It is not agreed yet either. It is a very important issue that we must work on.

Senator DECONCINI. And let me just echo, when you are going to visit the Southwest border in Arizona, and I wish I could be with you, but I have to go to the military academy that day, I understand you will have an opportunity to see the Arizona Guard working and doing the inspection of the cargo containers as I have seen. I echo your compliments of them.

Commissioner HALLETT. Yes.

OPERATION ALLIANCE

Senator DECONCINI. My last question for now, and then I'll yield. What staff and resources are you devoting to Operation Alliance in fiscal year 1990 and in 1991 also?

Commissioner HALLETT. In actuality, the numbers that we have provided have been not only in terms of supervisorial positions but certainly we also are going to be deciding in the very near future as to how many additional people we will be able to supply to Treasury.

I would like to provide that for the record, because the specifics have not been worked out as of yet.

Senator DECONCINI. That will be fine. Will that be soon—I mean, for 1990, you are already there, so——

Commissioner HALLETT. Yes; although so much has changed, particularly with the high-designation intensity areas, that it may require us to do more than we might have anticipated for 1990.

SOUTHWEST BORDER HIDTA DESIGNATION

Senator DECONCINI. I said that was my last question for now, but do you know who will be heading up the Southwest border high-intensity area from Treasury yet?

Commissioner HALLETT. Actually, that of course will be under the Assistant Secretary for Enforcement, and——

Senator DECONCINI. Right. I just wondered if you knew who it was.

Commissioner HALLETT [continuing]. Mr. Nunez, of course, as soon as he is sworn in, will take on that responsibility.

Senator DECONCINI. Oh, it will be Nunez?

Commissioner HALLETT. Yes.

Senator DECONCINI. I'm sorry, I didn't realize that.

I yield to the Senator from New York.

AIR INTERDICTION IN NEW YORK

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Chairman, I was just reviewing a letter I had sent to the Commissioner on February 7 on a matter that we have spoken about, and it deals with the New York Aviation Support Group, which is stationed out on Long Island. That is an aviation group, which they tell me, has had the best seizure record. It ranks first among all other support groups nationwide for the last 3 fiscal years as it relates to its seizure levels. As an example: For the year 1989—4,117 pounds of cocaine, 42 vehicles, 91 weapons, two houses, and one aircraft. There are some cases, that are still being worked on, with the potential of seizing tens of millions of dollars in cash. The question is to the need for an additional plane for that unit; making its effectiveness just that much better. I am wondering, Commissioner, if you have had an opportunity to look into this. I know resources are scarce. This would help not only Long Island, but we are talking about that whole region. The island is analogous to a pier out into the waterway; it is a 120-mile-long pier into the ocean, the dock being New York City. And as we increase our efforts at the airports, at the city, at the dock, I think the pier has become increasingly inviting to the drug runners. So the question as to the possible allocation of an additional plane to that area is something I know that law enforcement in that area are very much looking forward to.

Commissioner HALLETT. Certainly, Senator D'Amato, we are not only very aware, but very pleased with the excellent work that has been done in the New York region particularly by the Air Wing. We are very enthusiastic about trying to meet all of those needs. We feel confident that we are going to be able to provide the necessary air support for the New York region. I know that, among other things, there has been a great interest in providing a CHET aircraft to New York from Jacksonville, and I will look forward to working with you to keep you posted as to the progress we are able to make in this area.

I very much want to make sure that we meet that need that exists in the New York area.

Senator D'AMATO. Well, Commissioner, I thank you for that because I believe it will have the advantage of working with a group which is such a demonstrated success in this area. It can really enhance the aviation group.

TRADE BETWEEN CANADA AND THE UNITED STATES

One other area, as we talk about trade, it has been pointed out to us that at the borders with Canada and New York, we have some 18 agents actually onboard trying to cover some 35 counties on that entire New York-Canadian border. There is a need for additional resources. Are you reviewing that matter?

Commissioner HALLETT. Senator, we are constantly reviewing the need on literally a region-by-region basis. I had the good fortune of visiting Buffalo recently. I had an opportunity to speak, not only with some of our agents but also, of course, with our regional commissioner. Please rest assured that we will do everything we can with the current restraints under which we are working to meet all of our needs in that area.

Senator D'AMATO. Do you think maybe we can take Boston and locate them into Buffalo or Albany?

Commissioner HALLETT. Do you really want me to answer that question?

Senator D'AMATO. No; that was just rhetorical. Maybe he'll get the message up there, that fellow.

Commissioner HALLETT. Well, I have become a real believer in Buffalo, so it will certainly receive my careful attention.

Senator D'AMATO. Well, I look forward to having the opportunity of going up with you, Commissioner, and looking over that area.

Commissioner HALLETT. Thank you.

INTEGRITY PROGRAM

Senator D'AMATO. Let me ask you a couple of quick questions. One of the areas that the Customs 1991 budget request emphasizes is the Internal Affairs Integrity Program. What specifically are the concerns that led Customs to focus on this program, and what initiatives will be possible if the budget request for this program is met?

Commissioner HALLETT. Well, first of all, Senator, we have implemented in the last 3 months a new Integrity Enhancement Program, which is being carried out by the Internal Affairs Section of the Customs Service. The reason for this was because we did have concerns about not only the important integrity that is, I think, enjoyed by the vast majority of Customs employees, but whenever you do have someone who does go across the line, it of course gives a bad name to many others. So we realized that particularly along the Southwest border, there was a need for more careful review. It was because of that that we asked for volunteers. We have received 50 volunteers from the enforcement side, 12 from inspection, and the rest are from supervisorial ranks. They have already gone into the enhancement program, and I am very pleased to say that in this voluntary 2-year program, we are already seeing some fruits from their work. It will work toward improving even more the integrity that we enjoy in the Customs Service.

STATE AND LOCAL ASSET SHARING

Senator D'AMATO. Let me ask you one final question. I understand that Customs is permitted to share assets, but not proceeds, with the State and local law enforcement. So that, for example, if a number of communities, sheriffs from three counties, let's say, cooperate in a case that results in the seizure of a plane, a vehicle, et cetera, you can share that plane with one of the sheriffs, but you can't sell that plane and share the proceeds with the three law enforcement officers—and so it would be with any other materials that you shared.

If that is true, would Customs support a change in the law to correct that so that you would permit the sharing of the proceeds, so the plane could be sold, or the property seized could be sold, and the assets could be shared?

Commissioner HALLETT. Certainly we would, Senator D'Amato. In fact there are several changes in that area that, I think, would be very beneficial from the standpoint of not only section 881, but certainly, in terms of our ability to share more with those State and local law enforcement bodies that work so closely with us. It is really because of that team effort that we are so successful. If we are able to take not only the money but the equipment from the drug traffickers and turn it back to State and local government to use against them, then we are all bigger winners.

Senator D'AMATO. It is good to hear that, and I am sure that the chairman and the committee will be supportive of that legislative initiative.

I thank you for your responsiveness. I still hope we are able to get our 302 budget allocation as it relates to Customs being increased. I am not asking you to comment on that. I don't think you would necessarily be unhappy if that were to take place, and I think it is absolutely essential. Otherwise, we are just going to be asking you to undertake too much without the resources.

I am pleased that my dear friend is able to get additional resources for the Southwest border. He remembers when I was able to get 100 agents for New York—I think that was a little MX tradeoff—I'm not supposed to say that——

Commissioner HALLETT. I've heard about that.

STAFFING REDUCTIONS

Senator D'AMATO. But the fact is that if you are going to take resources—not additional resources—and just allocate them—and I'm not saying that the need is not there and the need is not great—but I think Senator DeConcini indicated he would hope that it would not have to come as a result of 57 positions being eliminated or switched from one area to the other.

Senator DECONCINI. Would the Senator yield?

Senator D'AMATO. Certainly.

Senator DECONCINI. Commissioner, isn't it really fair to say on this subject matter that you cannot provide in fiscal year 1991 what you have to provide in 1990 as well as what is in that drug strategy with a 757-person cut?

Commissioner HALLETT. Senator, I would like to answer by simply saying that it, of course, is difficult whenever you take reductions in manpower. I would go back to the positive side in which I believe through not only automation that is helpful, through the addition of the National Guard——

Senator DECONCINI. I understand all that, but realistically——

Commissioner HALLETT. We will work very hard to keep up.

Senator DECONCINI. I know you will, but you are not going to be able to do it, are you? Can you tell me and your people that you can comply with the drug strategy and the people that are set forth in that strategy with a net loss of 757 people and continue inspecting the containers, investigating money laundering, and all the things that you are involved in? And if you can't say because you are sworn on some kind of a code or something, I understand that.

Commissioner HALLETT. Certainly not.

Senator DECONCINI. You can just say, "I can't say." But I just have to have it for the record because I think it is important for us when we go back, for 302(b) allocations purposes and when we go back to Mr. Bennett and go to OMB, and we get into this whole process to say, look, the head of the Customs Service says they are going to do it because that's what they've got to do, but under the question, they say they can't provide all those services.

It seems very clear to me, having talked to some of the people that work for you, that that seems to be the case, too. If you don't want to answer it, I am not going to press the case, but I feel that it ought to be on the record.

Commissioner HALLETT. Well, maybe for the record I would like to respond by saying that we can certainly come close. We are going to work very hard to come close. Certainly, with a more effective strategy, which I think is working now, it is going to help us. To say we will do it, I cannot sit here and tell you we will do it, but we're going to work hard to come close.

Senator DECONCINI. Well, I can only say, Madam Commissioner, when I asked those kinds of questions of Mr. von Raab, and maybe that's why he didn't get reappointed, he said, "No, I can't do it. If I don't have those people, if I don't have those positions, we are going to suffer." I only tell you that for historical purposes, because I think it made the case stronger to get additions for Customs because he was so up front and so willing to fight it, publicly if he had to. And I'm not saying that you have to do that, but I am just telling you that that is what made it easier to go to my colleagues and to go back to OMB and to go all the way to the White House on behalf of Customs, because we had the Customs Commissioner say, "Look, we are supposed to do it, but in reality we can't."

I thank you for that—and thank you, Senator.

Senator D'AMATO. Again, I relate to the sentiments of the chairman. I think that we have a tremendously important responsibility to, on a nonpartisan basis, articulate in our legislative agenda the program which I believe the Senator has outlined; that is to achieve additional budget authority and then resources for Customs. Otherwise, the job is just going to become impossible. And that is the case in other important areas as well. It is so often lost in this battle about who is going to get additional resources, whether it should go to education and prevention—and we are all for education, and for prevention, and they need more money—but the fact of the matter is over the past 3 years just in the Customs Service the resources have not been there. Customs has actually taken a cut. I think we have to address that. I think it becomes very difficult. Our colleagues will look, and they'll see additional money, but when you begin to think again of the sequestration that costs some money, the raises that cost money, the additional formulas for overtime which cost more money, it results in a loss of that 757. Computers can play a shell game with the numbers.

So I think we are going to have our job cut out for us, because there are going to be competing interests for these dollars.

Commissioner HALLETT. Well, Senator, maybe I could respond to both you and the chairman by saying that frankly, one of the problems that we are faced with is that our hands are tied many times by the Congress because of the whole problem of floors. You give us a floor to live by, but then we are unable to meet that floor. And certain things are earmarked for us, and again, we are unable to meet what has been earmarked because of the floors that have been established.

If we had more latitude, then when I say that we can come close, we could come even closer. And we have only met our floor once in the last 4 years.

Senator DeConcini. Well, if the Senator would yield. We give you those floors so that Treasury doesn't take them away from you, quite frankly, and if we didn't give them to you, maybe somebody up there would just yank them out. You don't want them? You don't want us to give you the numbers?

Commissioner Hallett. Well, the floor is fine if we get the funding, but we don't get the funding.

Senator D'Amato. Be careful, Commissioner. Take the Fifth at this point. [Laughter.]

Senator DeConcini. Well, you don't get the funding because in my opinion, Treasury and OMB won't come forward with it. We give you the floors, and if we don't give you the floors, I dare say I'll bet you'd get less.

Excuse me, Senator.

Senator D'Amato. I don't necessarily disagree with the chairman. I think over the years we have tried to make sure that there are going to be certain levels that they won't be able to yank out. We've got the same thing when it comes to Coast Guard and the Transportation Department; you ought to see the shell game there.

But let me say this to you. It has been a pleasure working with you. I wish you good luck, and don't fight us trying to get you more money.

Commissioner Hallett. Thank you, Senator.

Senator DeConcini. The Senator from Nebraska, Mr. Kerrey.

CARGO INSPECTIONS/EXODUS

Senator Kerrey. Well, Mr. Chairman, my questions are almost redundant to the points that you were making earlier. It just seems to me that if interdiction is working—and that, of course, is what we assume to be the case—then the budget request is insufficient to actually get the task done. Otherwise, the rhetoric or the description of the problem external to this committee by elected representatives and appointed representatives in the administration must be overstating the problem.

There are a couple things that we talked about when we met, Commissioner. I would like to have you provide me—and you needn't do it right now—some sort of brief protocol of how the National Guard is instructed to operate in approaching of cargo. In particular I am looking for any negatives there—are they restricted and prohibited from approaching certain types of cargo, under what circumstances, and all that sort of thing. I just want some brief protocol to give me a sense of what the National Guard in fact is doing.

Then I'd just like to have you—because in examining the budget numbers I don't get as good a feel as I'd like to—discuss investigative side of Customs. I notice there is an additional reduction this year in the number of personnel on the investigative side. I know that you've also got two other critical pieces of responsibility, it seems to me, one for picking up illegal transfers of critical technology, and the other in trafficking of arms and munitions. Is the decrease in personnel associated with changes that are going on in the world? Is it budget-driven entirely? What sort of analysis went into the decrease on that investigative side?

Commissioner HALLETT. Let me start at the end and go backward if I may, because I think with respect to the whole issue of technology, our EXODUS program is one that is very important to us not only from the standpoint that we have really been able to make a difference——

Senator KERREY. Excuse me. Is that EXODUS?

Commissioner HALLETT. Yes; EXODUS is an acronym.

Senator KERREY. Yes, I know; I recognize it.

Commissioner HALLETT. It has been really the focal point for our ability to be able to track technology to work with companies not only throughout the United States but throughout the world to deal with—I think export control is probably the best way to put it—the export of technology, whether it is sold, anything that goes out illegally from the United States. We have, I think, a very effective and a very important relationship with companies that have worked with us to try and prevent the sale as well as the transfer of the technology to other countries.

I would say that contrary to what might be public opinion with the coming down of the Berlin Wall and the opening up of Eastern Europe, it has not changed in any way the responsibility as well as the concerns that we have for the exchange of technology. So we will continue to work in an aggressive way in this particular area.

Senator KERREY. Excuse me. Why hasn't it changed in any way? We just heard the President of Czechoslovakia, Vaclav Havel—and Czechoslovakia used to be one of the premier shippers of illegal arms—and Jeri Dinspier, their foreign minister, say they aren't going to do that anymore. Explain to me how that isn't a significant change in external conditions.

Commissioner HALLETT. Certainly, with much of the other technology, whether it is the sale of Stinger missiles that we have just seen, a case that we successfully worked of Stinger missiles going to Ireland, or whether it is other technology going to the Soviet Union, I don't think this has changed. And I think in terms of both munitions and certainly precursor chemicals and money going to other-source nations, the narcotics nations are going to require that we place a tremendous amount of effort in this area.

So I really think that whether we are talking about guns going to South America, or whether we are talking about now, as we see more drugs being transshipped to Spain, it is going to continue to mean that we will see munitions as well as precursors going to those countries. And this will come again under export control, which is going to require not only the continuous work of investigators and agents as well as our whole EXODUS program.

Senator KERREY. So why did you request a decrease in the number of people in the Investigative Division?

Commissioner HALLETT. Well, again, this is part of the whole across-the-board change that we are having to take through the sequestering as well as, of course, the absorption. So it is not necessarily by choice, but it is something that we must do to make up those losses of the pay raises, the health benefits, as well as, of course, the AUO issue.

Senator **Kerrey**. When I asked you about the changed conditions, you said not only are the changes not there, or at least, I think your statement was in fact that there is greater need—in spite of the greater need for investigative services—there is a decrease because that's what's required in order to meet the target that OMB has given you.

Commissioner **Hallett**. Yes; but we are hopeful, obviously, that there will be a change; that 1 year from now, I can come back to you and say that because of the changes around the world, there is a lessening of demand, but I cannot tell you that today because it is so new and so recent.

Senator **Kerrey**. I am personally skeptical about the analysis of the change. However, I am also very much aware that on the investigative side, the change itself can actually increase the workload just because of the uncertainty that is there. I mean, you don't know, in fact, how all these different individual nations are going to be operating, and so, in fact, the investigative service requirement could increase as a consequence of change that might appear——

Commissioner **Hallett**. That's right.

Senator **Kerrey**. But having said that, which is essentially your position, it causes me to conclude that in this area as well as in interdiction, a rather critical area—both of them rather critical areas—it seems to me that I must conclude that the budget request is insufficient for the task.

Commissioner **Hallett**. Well certainly, we are going to try to do more with less.

Senator **Kerrey**. Well——

Commissioner **Hallett**. We are robbing Peter to pay Paul, as the chairman himself said. It is a fact of life.

Senator **Kerrey**. It would be an interesting generalization to apply to all of Government. I mean, if it is possible for you to do it, maybe we should watch it and see. I would like to be able to get onsite measurements of how good a job you are doing in investigating two, at least it seems to me, rather critical responsibilities with fewer resources because maybe that's what we ought to be doing in all areas of Government. I suspect that's not the case.

At some point, you've only got so many hours in the day, and at some point, you've only got so many people to get the job done, and at some point, you're just not going to get the job done. And I understand well enough to know that it is possible to simply come and say, "Yes; we got the job done," and nobody is going to question that. But with all due respect, it just seems to me that what the administration ought to be saying to us is that because of budgetary considerations—because of budgetary considerations—we are not going to be able to interdict the arms and munitions that we once did; because of budgetary considerations, we are simply not going to be able to cut off critical technology flows that might be used in other people's manufacturing of weapons as we once did—instead of coming in with this representation that we can do more for less—because you know, at some point, it just doesn't work.

What I hear both the chairman and the other members of the committee saying in the area of drug interdiction is that there is a disparity between what is being said publicly and what, in fact, is occurring in the budget. And frankly, it concerns me that we are getting a representation that we are going to do as good a job as we have done before with significantly less resources. I guess it would not bother me if it were in an area that weren't so critical and weren't so high on the list of every American's priority. In that case, I guess it wouldn't bother me as much as it does right now. I am generally concerned about your ability to be able to accomplish the objectives that are set out with the resources requested.

Commissioner HALLETT. Well, I'd like to make just one final comment, and I would also like to have Mr. Lane make further remarks. But just as an example, we are working more closely with private industry than we have ever in the past. I would hope that we would be able to make up for the loss of FTE positions in this vital area by enjoying the cooperation as well as a great deal of work that is being done in the private sector to help us meet some of these needs.

Senator KERREY. How does the private sector help you in investigating potential transfer of critical technology?

Commissioner HALLETT. By coming directly to us with information of what is going on within a company when there is information of a known diversion. We have had a very significant amount of intelligence brought to us by the private sector and a great cooperative effort from the private sector that actually has helped us in this area to do a better job.

In fact, in some companies, we could not succeed were it not for the work they do within the company. And I think that Mr. Lane can probably expand upon that.

Mr. LANE. Well, Senator, you make a very good point, and we are concerned about truth-in-budgeting, and I think we tried to lay it out very well.

But I think maybe as a result of what are perceived to be so many failures in Government that people fail to realize that there still is a cause and effect.

Several years ago the Customs Service set out on what people said was an impossible problem, and that was air narcotics smuggling. I can't say that we have stopped it, but we have gone a long way toward that goal. We have just about broken the back of the air smuggler. In the Southeastern United States, we hardly ever see an air intrusion. You see air drops. In the Southwest, we are attacking it. We are getting military help now. We have Coast Guard help. And yet even in the Customs Service, there are people who cannot believe that we really have achieved—darned near achieved—our objective in that, and if we proceed with the program as it is, that we'll succeed in shutting down as close as you can air narcotics trafficking.

I think you can say another impossible task is container traffic. Five years ago, we had hardly any container program, no container technology, no container knowledge, and no belief by anybody that you could attack this problem. Today, we have increased by an order of magnitude by, say, a factor of 10, information, technology, manpower, support, and automation. And our results have been a drop in container seizures of about 50 percent.

I think we could prove to you that we have changed the way narcotics traffickers operate and have driven them out to a large extent of containerized traffic.

That is what we are trying to do with this budget, and no doubt we could use some more people. It wouldn't hurt us to make up those things. But I think we are going to be a more effective Customs Service in fiscal years 1990 and 1991 even without those people. If we get them, we will be that much more effective, but our programs are working, and we are working hard on them. Our strategies are getting better. We are spending more time on them and getting more support. I think you can apply that same reasoning to every other program in Customs.

Senator KERREY. But what am I to say now to a Nebraska citizen who says to me: Senator, assess the threat of the transfer of critical technology to a nation that might use that to develop a weapon system against us or our allies? Am I to say that the threat is reduced as a consequence? I hear the Commissioner saying to me no, the threat is not reduced. I would accept that. The threat is not reduced. Am I to say to this citizen who asks me the question: Don't worry, because the Customs Service has got this all figured out. They are going to have decreased investigative services, and they can do a better job, actually do a superior job, with less people. Is that essentially the message that I am to carry back?

Mr. LANE. Senator, I think the threat is changing, and along with the Department of Defense, the State Department and other agencies that have responsibilities, we are looking at that, and I think there is the possibility that that threat is reduced, but there is also——

Senator KERREY. Wait a minute. Am I correct—do not Commerce and DOD simply make the list up and then pass it to you——

Mr. LANE. The CoCom list?

Senator KERREY. They put the list together; is that correct?

Mr. LANE. The CoCom list?

Senator KERREY. Yes.

Mr. LANE. It is the United States and other nations as well, but we are involved in that process. But even within Customs, we are trying to use our same approach to high technology going out and munitions going out to the problem of guns going to South America and using some of those same people to do that sort of thing. So I think that is in recognition that there is a highly changing threat in that area.

Senator KERREY. Well, understand that I for one will not fight for additional money. Understand that I accept the administration's representation that we are going to do a better job of stopping the flow of critical technology, that we are going to do a superior job of interdicting drugs, that we will do a superior job of stopping guns and munitions with a reduced budget. That is the message that I hear from you, and I accept it——

Mr. LANE. Well, I hope I'm not able to turn you around that easily.

Senator KERREY. No; I accept it as an article of faith. And my representation at home is that the President of the United States has figured this thing out, he has passed the instructions on to OMB Director Darman, and together with drug czar Bennett, they have figured out exactly what Customs needs, and this budget representation covers those needs precisely. Am I off the mark here or something?

Mr. LANE. Well, I would just say in the areas that I talked about, in the area of air interdiction and the area of containers, I think we are achieving our objectives. We are going to be more effective whether we get to fill all those positions or not. I would not go so far in my comments to take you to the conclusions you have reached.

Senator KERREY. Whose comments caused me to reach that conclusion, then?

Mr. LANE. Well, maybe your analysis of our budget did that. We're just in a very narrow area.

Senator KERREY. Have I concluded improperly that the budget recommendation and request that you have is based on another analysis than I have just represented?

Mr. LANE. Well, I think that you are going much beyond our budget.

Senator KERREY. You have asked for the amount you think you need to get the job done, adequate for the task that is out there. Is that true?

Commissioner HALLETT. We would hope so.

Mr. LANE. I was giving you a couple examples.

Senator KERREY. Well, specific examples that lead to a general conclusion. The general conclusion that I have reached is that the amount of money you have requested will get the job done.

Commissioner HALLETT. We hope that is the case, Senator.

Senator KERREY. OK.

Commissioner HALLETT. May I go back to the National Guard?

Senator KERREY. Oh, if you'll just supply that to me, we're going to run out of time——

Commissioner HALLETT. There were just a couple of things that I wanted to point out because I think it is so important.

Senator KERREY. OK.

Commissioner HALLETT. They are participating in examinations of cargo at both seaports as well as land ports, and this is all conveyances; they are not limited to any specific conveyance that comes in—vehicle, aircraft as well as outbound cargo and incoming cargo are all parts of the areas that they are involved in examining. I think that particularly the examination of the inbound conveyances has been very important in terms of the number of seizures that are directly attributable to the Guards. We have had, in fact, in fiscal year 1989 more than 6,000 pounds of cocaine seized with the Guard's assistance, 24,000 pounds of marijuana, and 15 pounds of heroin. I think that that is particularly remarkable because in that particular fiscal year only 487 guardsmen were helping us. That number is going up. It has gone up this year, and it will continue to go up in fiscal year 1991. So I think they have a very important role that they are playing for us.

Senator KERREY. My concern—and again I don't want to belabor it—is to understand precisely what the protocol will be for that Guard as they approach any object out there, whether it is cargo or personnel.

Commissioner **Hallett**. Good. We'll be happy to provide that for the record.

Senator **Kerrey**. What was your budget request to Treasury?

Commissioner **Hallett**. The whole budget request?

Senator **Kerrey**. Yes.

Commissioner **Hallett**. It is $1.16 million.

Senator **Kerrey**. Is that what you requested?

Commissioner **Hallett**. Excuse me. To Treasury.

Senator **Kerrey**. Yes.

Commissioner **Hallett**. Our initial request to Treasury, I'm going to have to turn back to the right page here, because the original request was $1,161,400,000. That obviously has been changed, with the ultimate being the $1,120,000,000.

Senator **Kerrey**. Did you request $1,161,000,000 to OMB as well?

Commissioner **Hallett**. Yes; that is correct—or, not to OMB. That was $1,095,000,000.

Senator **Kerrey**. Thank you.

Commissioner **Hallett**. Thank you, Senator.

Senator **DeConcini**. The Senator from New Mexico.

Senator **Domenici**. Mr. Chairman, I want to apologize to you and our witnesses for my absence, and I assume most of the things that I wanted to ask, like how you are going to increase the Southwest area while the rest of the country is decreased, have been asked. As I understand it, Mr. Chairman, they are going to increase the Southwest——

Senator **DeConcini**. They are going to increase personnel on the Southwest border, but overall Customs is going to come down by 757 positions, but it is going to be OK, because they are going to be able to do it.

Senator **Domenici**. The FTE's are going to be reduced. I believe they are going to increase the Southwest. What I'm wondering is how the Commissioner is going to justify taking them away from other places.

AEROSTATS

But in any event, let me ask about three other areas that I don't think have been covered. There has been a recent news story with reference to the aerostats. As I understand it, two other Southwest border aerostats that GE manufactured have been grounded. Yesterday there was an article in the Washington Post that said GE has done an investigation and found flaws. What are we doing specifically with reference to this GE report, and how long do you anticipate it is going to take to fix these aerostat balloons? In the meantime, what are we going to do about it? Are we going to leave the area of their coverage open?

Commissioner **Hallett**. Senator, it is a very important issue. I don't think the article was completely accurate with respect to the issue of the GE balloons because this has all resulted as a result of one GE balloon which was being tested by GE—it had not been turned over to the Customs Service. The tether broke, and it had to be brought down.

As a result, two additional new GE balloons that were not as far along in terms of the on-line date were again taken off of that date timeline by GE to make sure that any flaws would be corrected before we went forth with those three GE balloons coming on-line.

As a result, not only do we have, I think, a commitment that the tether will be corrected and any other problems will be corrected so that all three of the additional aerostats will be on-line by certainly the end of summer at the latest. At the same time I think we also have some alternatives. That is, we have a very important tool, in fact two of them, and that is the P-3 AEW aircraft as well as the DOD AWACS aircraft that will fill in. There will be more military flights. Certainly, we are looking to DOD to help us with filling of some of those gaps by other radar. While it is obviously not going to give us the complete picket across the Southwest border that we might like by a date-certain, it will nevertheless give us at least enough coverage until they come on-line that I think we will be able to meet the needs.

They of course had not come on-line yet, and I think that is the issue that possibly people don't understand, is that we haven't taken them out of circulation. They had not started being utilized yet.

UNITED STATES-MEXICO BORDER FACILITIES

Senator DOMENICI. My second question has to do with new border crossings. Let me just generally, for what it's worth, tell you what I think is going to be happening on both the Mexican border and the Canadian border.

I think the decade-long lull in brand new border crossings, not just the major improvements that the last 3 years have brought to the existing sites, but brand new ones, are going to be pushed very actively. The reasons are obvious on the Canadian border with the Canadian Free Trade Agreement, but I submit to you that they may be a bit less obvious but they are real on the Mexican border.

The economic policies of this new President clearly indicate to me—and I have not had this observation refuted by anyone—that Mexico is going to come alive economically, and if it does, it cannot operate in a vacuum; it is going to explode, and it is going to move much more commerce and activity across our borders than we ever had before.

I am aware of the fact that in my home State there is a real opportunity for a new port and maybe two new ports. We are very excited about that. We funded one of them in this subcommittee last year, and I understand Mexico is now interested in another. I will not inquire about those two sites here, but I submit to you—and I want Secretary Nummy to listen to this because we need some help. Although technically the State Department is in charge, Mr. Nummy, because they have to arrange the international relationships, somebody has to continue to push very hard for an effort that sets the kind of criteria and standards that we are going to work on so that we don't let these opportunities get by while there is kind of interagency response waiting around because of jurisdiction.

Clearly, you have a role; INS has a role; State Department has a role. But somebody has to insist that the momentum to get things going and establish America's policies with reference to how do you determine that a port is needed, and then how do you determine its size, and how do you determine its functional qualities, be decided. And New Mexico will be a very good testing ground because now there are two border crossings being pushed, and obviously, some think we can build two like just turning out a letter that says we're going to have two. I assume we have to establish some criteria and get some funding, get some commitments, and that has to come from both sides or you won't have a port.

And I know you're working on it, Commissioner, but I truly believe this is a unique opportunity to improve the borders. This chairman and I have probably in our own way, under his leadership, done more for port facility improvements along the Mexican border than we have done in 30 or 40 years. When we first started, we had some that were absolutely a disgrace to the United States. We had one in my State which we went to see that if any agency would have inspected it would have determined it to be a hazard to humankind, and now we've got a new one. We've spent a lot of money, but we now are going to have adequate facilities. We are going to have new ones, so I urge that you all—you are the experts—have got to get involved in helping the State Department determine how we are going to go about this.

Commissioner?

Commissioner HALLETT. Senator, I would like to first of all thank you and the chairman because there is no question that through your individual efforts, there has been a complete change on the Southwest border. And, in fact, just for the record I would like to point out that it has been $139.8 million appropriated for Southwest border improvements because of the two of you, and we do not underestimate how very vital that has been to the whole program.

I would like to say, however, with respect to your overall comments that we do have a problem with funding for new facilities because this covers current facilities but does not provide funds for new facilities. In addition to that we of course have no ability to staff any new facilities that would be constructed. So this is an area that I want to be up front on. We do indeed expect, and we hope there will be an increase in trade with Mexico and Canada as well, and certainly through the Maquiladora program we are seeing a very big increase in trade.

How are we going to meet these demands? How are we going to be able to provide new facilities? That I cannot tell you. I don't know whether user fees is one of the issues that we talk about in this area. But I do know in terms of our relationship with the Department of State on this, we have been working very closely with them. In fact, Mr. Banks, our Assistant Commissioner for Inspection and Control, has talked with them twice in the last 2 days, so believe me, it is something that we don't take lightly.

Senator DOMENICI. Well, let me just suggest to you, Commissioner, with reference to new ports of entry, nothing would please us more, and I think I can speak for the chairman without even asking him. If we were not the ones that were having to designate as part of our 3- or 4-year plan a new port, we know now that these events are going to occur. They ought to be coming up from you and the State Department. We'll fund them. You ought to tell us that there are two being looked at, and we are within 1 year of determining it, and could you put some planning money in for this one or that one.

We have had to do that up here. Santa Teresa is funded, incidentally, as a new one, because we put the money in. We knew it was going to happen one of these days, and we said wouldn't it be nice occasionally to have planned for one when something happened in Mexico. So it turned out it is right. Now there is a new fever—they want two. But you all are the ones that if you start recommending the new ports, we'll fund them in an orderly manner. If not, we'll be down there viewing the ports, and we'll just——

Senator DeConcini. Will the Senator yield just for a question?

Senator Domenici. Yes.

Senator DeConcini. Do you make recommendations to GSA?

Commissioner Hallett. We have worked with GSA in identifying those areas.

Senator DeConcini. In identifying them.

Commissioner Hallett. That is correct.

Senator DeConcini. And in that identifying, do you go so far as to say, We need a new building in Douglas, and we sure hope that that's in your plan? Is that what happens?

Commissioner Hallett. I believe that is the case.

Senator DeConcini. Mr. Lane?

Mr. Lane. Well, usually, Senator, the real big initiative down there has been from you two, and——

Senator DeConcini. I know that, and thank you very much. But I am interested in learning the process. How does Customs get its recommendation assuming it ever came up, which it doesn't, or very, very miserly—how would it come up, how would it get to GSA in their building plan? Do you have a joint task force or something that works on that?

Mr. Lane. I guess we would be doing it. There is a Border Task Force, and as you know, the Border Trade Alliance. But usually Customs is trying to keep new ports from opening because of staffing problems, so that rarely comes up.

Senator DeConcini. No; I'm not talking about new ones. I'm talking about rehabilitation—building repairs and so on.

Mr. Lane. Oh, rehabilitation, yes; I think that would go from us to GSA.

Senator DeConcini. You make a recommendation every year of what your needs are?

Commissioner Hallett. Right. In fact——

Senator DeConcini. Thank you. I just wondered.

Commissioner Hallett. Excuse me, but it is initiated in the regions, and the regional commissioner works directly with GSA, and in fact right now we have a little competition going on between the Pacific region and the Southwest region in terms of who is going to get more support from GSA on some of the projects that they have.

Senator DeConcini. Thank you. I just wondered how it doesn't happen, or how it is supposed to happen.

Senator Domenici. Frankly, Mr. Chairman, it didn't happen very much at all, and now the administration—I don't mean you—but it took 3 years for the administration to put border improvements in their budget. We put it in, we'd pay for it, and then it would show up down there, and GSA would go to work, and the next budget would come up, and there wouldn't be anything in there, and now we've gotten into the routine. So it is very important that you start making the recommendations because we are interested in them; we've got some money flowing.

Mr. LANE. Well, the employees along the border are very grateful for that, and it also has funded, as you know, safety improvements and a lot of other things that have been helpful both to enforcement and facilitation.

The Canadian border is another problem that really has not been addressed to any great degree, and the Commissioner has asked that we start looking at that, so we will do that.

Senator DOMENICI. We'll have to go up and look at it, Mr. Chairman. I haven't been to Canada in a long time. I haven't been there since the last Republican Convention; that seems like 20 years ago.

RESEARCH AND DEVELOPMENT

Let me take one other area, and, again, I apologize to all of you for what should be a question if it turns out to be thoughts and a lecture by me. But I am absolutely convinced that we are living in a technological age where we are going to substitute technology for manpower. And I believe any agency and any institution is not going to survive unless they direct their energies at substituting technology for manpower. That is the fact of life in the business world. Anything that is highly labor-intensive is looking for ways to be less labor-intensive. We've got a neat little word; it is called productivity. We don't measure it very much in an agency like yours. In fact, we don't even know how for all our economic finesse.

But it seems to me that you have a rare opportunity, all of you who are in aspects of law enforcement that involve searching, that involve patrolling, that involve determining where people are, to utilize the tremendous changes that are occurring in technology. In a very real sense, the U.S. Government, for the military principally, has developed some incredible kinds of sensoring mechanisms. I believe it behooves agencies like yours to not go alone after this technology, but to pool your resources because you have a similarity of need. The need that you have is the same kind of need that a lot of departments of the Government have that are involved in the same kind of sensoring, monitoring, determining what is in this truck; does this particular item contain an illegal narcotic.

I urge that with your research money, you push hard to pool that with other law enforcement agencies to go after the most modern of technology because I believe it is right there, close to be available to you. It is dramatic.

Obviously, I don't say all this without any knowledge nor without an axe to grind, but I think the national laboratories that have worked on this kind of thing for the Defense Department are on the cutting edge. And I urge that you not put out your little research money and individual RFP's, but that you rather try to work it with the Justice Department, with others who are involved in the same work, and go after some generic breakthroughs in the search, in the policing, in the monitoring areas, because I believe it will be a way to cut down on manpower and do a better job.

I think there are going to be ways where you don't need all these, even the marvelous sniffing dogs. I think there is going to just be a little machine you can wrap around a truck, and it is going to be able to tell you whether there is an illegal drug in there. I am just as certain as I am here that it is up to you all to bring it onboard sooner rather than later, but it is out there. When you need people walking around to see where action is, I think you can put little aerials up in the future, and they are going to buzz back into a neat little headquarters and tell you somebody is moving over on the border. Those are going to be available.

End of lecture.

Commissioner HALLETT. May I commend you, Senator. I have just been handed five or six notes from various people who are so excited about what we are doing. We are truly in the Customs Service on the cutting edge in this area.

There are so many things that have happened, and one comment that I did make in your absence, and I think that would be the starting point, is that because of automation in the Customs Service, a Treasury report shows that we literally have been able to substitute through automation some 6,500 positions. That in itself is remarkable, and it certainly speaks to what you have just said.

I would start by saying that we have already been to Sandia Labs in New Mexico, where we are participating in some research and development. Our research and development, whether it is with cargo containers, whether it is with technology or anything else, is very significant. And in fiscal year 1991, we are allocating approximately $1.4 million for research and development efforts. Without a doubt, I think I could tick off a dozen or two different areas, but maybe because of the time limits I would just say that not only, of course, do we have x-ray machines that we are utilizing with great success, we have smaller devices such as electronic tapes and fiber optics. Going to the point of cooperation, not only are we working closely with the military and DOD in support of research and development, but also with the drug czar in this area. IBIS, which is our interagency border inspection system, is unique. It is utilized by the State Department, U.S. Customs Service, INS, and this again in terms of our border crossings, at our ports, is making a tremendous difference.

So really, I think whether we are talking about within our own country or the cooperation that we enjoy with Canada in utilizing joint technology, it shows that we are making great progress.

Mr. Nummy also has a comment, Senator.

Senator DOMENICI. Yes; Secretary Nummy.

Mr. NUMMY. Senator, I cannot pass up the opportunity to put in a little commercial for a request that is pending before the Subcommittee on FinCEN, because I think you have described exactly one of the major components that we see the role of FinCEN playing, which is to look at the cutting edge of technology, looking at new ways to go after financial investigation. I believe there have been discussions with the National Labs and the role that they can play in that. So that request is pending before the subcommittee, and I would hope that as you make your decision about what to do about that, you'll view it in the context of the comments you previously made.

FINANCIAL CRIMES ENFORCEMENT NETWORK

Senator DOMENICI. Well, I don't know how the chairman feels about what you have submitted on FinCEN to this point, but let me tell you I have the greatest respect for you and the Secretary, but the language describing what you want to do and the proposal as to how you are going to do it—the first one gets an A, and the second part gets a D-minus. So you know before I'm onboard on reprogramming, that D has got to come up to about a B in terms of how you are going to implement it.

I don't know if you agree with that, Mr. Chairman, but that's how I see it.

Senator DECONCINI. If the Senator would yield, I will get very specific. What would bring it up to a B so we could approve that, and I want to approve it, I can assure Mr. Nummy. For example, Treasury expects to receive three 1811 agents from the FBI and three 1811 agents from DEA, and we have not received any documentation from Treasury to demonstrate a commitment of these transfers from Justice. If you'd get us that stuff, we will approve the darned thing. It is as simple as that. And we are probably going to approve it anyway, because we are for it. I wasn't going to raise this with you, Mr. Nummy, because we'll raise it some other time, but if you would just get us the stuff, we'll approve the darned thing. We have asked for it, and we've gotten a ream of papers, but when it comes down to the factual information of the concurrence and the actual transfer of agents, we don't have it—and I suspect you don't. And when you get the information to us, we're going to approve it.

Mr. NUMMY. I understand.

Senator DOMENICI. Mr. Chairman, they also—and I know it's tough—they finally got a good director——

Senator DECONCINI. Yes; they do. They've got a great director.

Senator DOMENICI. That fellow you hired is good.

Senator DECONCINI. Yes; and quite frankly, I'm about ready to suggest to my ranking member here to just go ahead and do it based on what a tremendous leader he is, but gosh, it is frustrating when we sit here, and we lay out the criteria, and we are guaranteed by Deputy Secretary Robson that he is going to supply that information to us, and nothing comes, and then the pressure is on us to approve it. It just is a little frustrating. I am sorry to dump on you, but you brought it up.

Mr. NUMMY. That's correct. [Laughter.]

Senator DOMENICI. You didn't think we knew that much about FinCEN, did you?

Mr. Chairman, I might just say that other thing that kind of bothers me, and it ought to bother the Commissioner, too, because that funding for FinCEN is hidden in the Customs Service's budget, and to the extent that we take it out of there, may make her problems even worse. We'd like to know a little more about that. Staff has tried pretty hard, but they can't quite get to it. So that is true, and let the record show that David Nummy, expert on numbers, agrees.

I have nothing else, Mr. Chairman. Thank you.

Senator DECONCINI. Thank you.

On that subject matter on FinCEN, what is the amount you need for 1991 for FinCEN?

Mr. NUMMY. For 1991, we have been awaiting your concurrence in moving forward on the project to put anything together specifically.

Senator DECONCINI. OK. Assuming we move forward because you are going to supply us with this information real quickly——

Mr. NUMMY. We would be prepared to submit the 1991 request, which essentially would be a reprogramming request, quickly.

Senator DECONCINI. OK.

Commissioner, I've got a lot of questions but we are running out of time. There are a couple of things I do want to touch on.

P-3 AEW PROCUREMENT

Last year the committee wrote Customs, asking that the technical difficulties associated with the two P-3 AEW's be corrected before entering into the procurement agreement for the third. The response received from Customs indicated that the IFF and radar-tracking problems would be corrected by June 1990 and that Customs would not enter into a procurement agreement prior to that time.

Can you give the committee an updated status report on the corrective actions being taken by your contractors?

Commissioner HALLETT. Yes, Mr. Chairman; of course, we do have the two P-3 AEW's which are operational. There have been problems with radar. The bid on the third aircraft will not be awarded until the problems with one and two have been resolved. I would say we believe the problems will be resolved by this summer.

Senator DECONCINI. By June?

Commissioner HALLETT. Yes; and that we will then be in a position to go forward with awarding a third bid. In fact we are working right now to identify the right P-3 for those modifications. .

Senator DECONCINI. You are optimistic that it can be corrected and will be by June; is that fair to say?

Commissioner HALLETT. Absolutely. We are very close on everything right now. Certainly, 80 percent of the problems have been corrected with the radar problem, and I think that with respect to all of the other problems as well, that is certainly the case.

Senator DECONCINI. When the deficiencies are corrected, as you believe they will be—and I realize it is a little bit early, but I'm glad to hear your optimism—will the P-3 AEW's perform to the original contract specifications, in your opinion?

Commissioner HALLETT. That is certainly our opinion, and I think we certainly have a real expert here with us, Mr. Asack, who has worked very closely on this particular project. I think he is extremely confident that they will meet all of the expectations we have.

Senator DECONCINI. That is encouraging. Now, assuming that occurs in June or thereabouts, what specific activities have you undertaken with regard to the procurement of the third P-3?

Commissioner HALLETT. We are already under way, as I just mentioned, trying to identify which model is most appropriate for our use. The desired model is the P-3B, which I think is the P-3B Heavyweight, and we are looking now for that model.

Senator DECONCINI. I am very interested in that success, but let me just caution you—and you don't need this from me but I am going to give it to you anyway—we need to make sure they work. We cannot afford another contract if we've got two that aren't functioning. I certainly don't need to tell you that, but I think the problem can be very severe if we contract for a third one, and these two are not performing to the maximum.

P-3 AEW SURVEILLANCE MISSIONS

What percentage of the time have the P-3's been devoted to surveillance missions on the Southwest border, the gulf, the Caribbean, and to defense-in-depth operations? You can provide that for the record if you like.

Commissioner HALLETT. I could give it to you now if you would like.

Senator DECONCINI. If you have it, fine, thank you.

Commissioner HALLETT. Certainly, on the Southwest border—and this is for airborne surveillance for fiscal year 1990 to date—Southwest border, 118.3; the gulf is 379.1; the Bahamas is none, there is no coverage there. For defense indepth, it has been 168.5. Total flight hours are——

Senator DECONCINI. Those are hours each, those numbers?

Commissioner HALLETT. Flight hours, yes. Total flight hours are 1,007.9, and that is again, as I pointed out, fiscal year 1990 to date. That is airborne surveillance. Airborne radar surveillance hours for 1989 are equally as impressive. For the Southwest border, it was 553; the gulf was 1,116; the Bahamas was 124; defense indepth was 398, for a total of 2,243 hours.

Senator DECONCINI. Will the Southwest border P-3 flights be increased at all due to the aerostat problem?

Commissioner HALLETT. Yes.

Senator DECONCINI. That is underway now?

Commissioner HALLETT. Yes; and in addition, we will also utilize AWACS in that area.

Senator DECONCINI. Oh, you will, to fill this gap?

Commissioner HALLETT. Yes; that is correct.

Senator DECONCINI. That has already been programmed?

Commissioner HALLETT. Yes.

Senator DECONCINI. Is that happening now?

Commissioner HALLETT. Yes.

Senator DECONCINI. Thank you.

MEXICO

My last line of questioning, Commissioner. As you are well aware, Mexico continues to be a leading producer of heroin, marijuana, and a major transshipment point for cocaine entering this country. The Salinas administration appears to be more serious about addressing the narcotic and corruption problems within Mexico than the past administrations, and that is encouraging.

The U.S. Customs Service is on the front line of the Southwest border and is critical to our Nation's efforts to control the flow of drugs coming across the border. Your predecessor, Mr. von Raab, was very forthcoming in his opinion of what Mexico was doing and not doing in regard to addressing the narcotics and corruption problem, and I appreciate Mr. von Raab's honesty. I think it was very important, particularly at our time, and quite frankly, I think it may have had some influence on bringing about some changes there.

The State Department's annual certification of drug-producing and transshipment countries will be released in about 2 weeks. I know you are very familiar with this process. Do you believe the President should certify Mexico as fully cooperating with United States antidrug efforts?

Commissioner HALLETT. Mr. Chairman, it certainly would be difficult for me to respond not knowing exactly what problems we are confronted with. I understand that that particular INCSR report is under change at this time. I would like to see that change before I were to finally comment, but let me say this. If we decertify a country, I think we lose any cooperation that may potentially exist.

We in the Customs Service have had some rather remarkable cooperation in the last few months from the Mexican Government, and I personally congratulated the Ambassador from Mexico to the United States. Utilizing a P-3 coming out of Central America, we were able to track a flight that had come from Colombia. That particular flight was headed toward Mexico. We notified the Mexican authorities. They picked it up. They asked for assistance, which was provided not only from our tracking, but also from DEA. The Mexican authorities went in; they were able to track and follow that aircraft to the point which it landed. Not only did they seize a considerable amount of cocaine, they arrested all of those individuals onboard, they impounded the aircraft. I think this is the kind of cooperation that we will lose if we decertify a country.

This is not to say that we agree with or that we believe that there is a change to the extent that any of us would like. But I do believe we lose a tremendous opportunity to make a difference.

Senator DECONCINI. I think you are answering my question in the affirmative. You think the President should certify Mexico——

Commissioner HALLETT. Right.

Senator DECONCINI. That they are fully cooperating.

Commissioner HALLETT. I can't tell you whether they are fully cooperating, and I certainly would not want to go that far, but——

Senator DECONCINI. But that's what the law says. That's what certification means.

Commissioner HALLETT. Well, there are several different ways we can go. We can certify for national security reasons. Again, I think it is not for me to say. I am not dealing with Mexico. But I think we have to look at all the different ramifications for certification and decide which way will we certify so that we don't lose that assistance.

Senator DECONCINI. I understand. I understand, and quite frankly, I am leaning in that direction for the first time also because of the improvements there. But I have to say I have to think that some of the statements made by your predecessor, and the fact that the Senate has decertified Mexico on two occasions might have played some role there. I am not interested in harming Mexico or our relations with that country, but I realize when we take that action even in one House, it is interpreted as perhaps Mexico bashing. I think it is time that this country stood up for the drug problem and not be afraid to insist that our neighbors and friends and allies really do something about it. Maybe a little toughness has helped—I don't know that it has, but it is improved, I do have to agree. Whether or not Mexico is fully cooperating, I still think we have a long way to go.

Commissioner HALLETT. May I just make one final comment on that——

Senator DECONCINI. Of course.

Commissioner HALLETT. Because I would thank the Congress of the United States with great conviction for having provided that important tool of certification. Having worked directly in this area, I cannot tell you how important it is in helping us to accomplish some of our goals. So I really congratulate you and thank you.

Senator DECONCINI. Thank you, Commissioner.

I have a lot of other questions, but I am going to submit them to you.

Does the Senator have any other questions?

Senator DOMENICI. No, Mr. Chairman; but I would say to you that I heard your words, and I don't want to spend an inordinate amount of time on Mexico and certification or not, but I gathered from your statement that you are looking with a little more favor on it; you haven't made up your mind yet. But I want to encourage you to look carefully at the commitments of that new President. Although I don't know as much as you do about the previous situations with our DEA and others, I truly think he is a man of his word, and I believe he is trying to build integrity and honesty into that government, and I think his commitments to build a better Mexico for those millions of people deserve our praise and our cooperation.

I think fully cooperating means a lot of different things. Obviously, as compared with where they were, it is certainly a full giant step in the right direction. I don't know that we ever really have full cooperation. Somebody could find some way that a country isn't. But I believe it would be a bad precedent when they are trying to do so much better to decertify again.

Senator DECONCINI. Let me assure my friend that I am not interested in damaging our relations with Mexico, and I realize when the Senate voted last year to decertify them, it did not help those relations. But I like to think—and maybe I'm wrong—but I like to think that perhaps when somebody in our Government is willing to stand up and raise the issue of Camarena and other outrageous actions or nonactions by the Mexican Government, that it brings about the change. And I don't know where to draw the line, but I'll tell you this is one Senator who is up to here with it. I do applaud the Salinas government, and I have said so publicly and expressed that to the President himself, so I take my friend's words for what they are, encouragement, and I certainly will take them under consideration.

Thank you very much, Commissioner, and the others with you.

Commissioner HALLETT. Mr. Chairman, thank you very much. We appreciate it.

SUBMITTED QUESTIONS

Senator DECONCINI. We also have questions from Senators Mikulski, Kerrey, Domenici, D'Amato, and Inouye.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

FY 1991 RESOURCES

Senator DeConcini: What levels of funding did you assume for cargo container exams and air staffing in your 1991 budget? In other words, I am trying to determine whether or not funds have been included in FY 91 to continue these programs. If you are assuming today to only allocate 59 K9 teams to the Southwest Border in '90, are there sufficient funds contained in the '91 budget to maintain these positions?

Commissioner Hallett: We are concerned that the FY 1990 sequester and absorptions will carry forward into FY 1991. Under this circumstance, we can support the full resources for the air program staffing, the 59 canine teams, and 34 inspector positions. In addition, 17 canine enforcement teams will be established. All of these resources can be supported in the FY 1991 proposed budget.

CANINE ENFORCEMENT TEAMS

Senator DeConcini: What kind of funding shortfall will you have in '91 if you ultimately fund more than the 59 K9 teams in 1990?

Commissioner Hallett: In FY 1991, we project sufficient funding to support the 59 canine enforcement teams as well as the 17 additional teams currently planned. If the proposed initiative is enacted, then Customs also will establish 23 additional teams. We do not anticipate any funding shortfall for these resources.

FRONT ROYAL EXPANSION

Senator DeConcini: Your budget request also includes an increase of $3.4 million for expansion of the current canine training facilities at Front Royal, Virginia. Can you give the committee some details on the need for this expansion project and explain what specific projects will be undertaken with these funds in FY 91?

Commissioner Hallett: These funds are necessary not only for the expansion of the training center but also for the renovation and improvement of the current facilities. The facilities now existing were established 16 years ago as supposedly temporary facilities. Horse stables and hay barns were converted into training sites. The center was developed and repaired in piecemeal fashion and is in dire need of refurbishing. Repairs are needed for the safety and well-being of canines and personnel.

Expansion of current facilities is necessary to meet not only our current training requirements but for the projected expansion from the current level to 500 teams by the end of Fiscal Year 1994. The investment now will result in lower training costs later since the facilities will then be able to operate nearly year round and less alternate site training will be required. It will also allow Customs to support requests from other federal, foreign, state, and local law enforcement agencies in combatting the drug threat.

Projects to be undertaken with these funds are:

Construction of detector dog training building which would be used for training in premise and cargo searches. A mock-up aircraft would also be utilized for training canines to search private planes.

Purchase 3.7 acres adjoining the training center.

Construct an academic building on the 3.7 acres.

Construct one new kennel (one of the necessary three) to replace an antiquated kennel currently being utilized.

Construct a second vehicle lot, complete, with cover and lighting. This would enable training year round in all weather conditions.

When technologies become mature enough to warrant operational field testing, a facility for conducting such tests would have to be constructed. Cost-sharing between the Government and private industry has been suggested as an equitable approach for evaluating candidate technologies. Is is estimated that such a cost-sharing effort would cost the Government $3-5 million and would take at least 2 years to complete.

FY 1991 FINANCIAL PLAN

Senator DeConcini: What is the current status of your 1990 financial plan? Do you intend to send a reprogramming request to the Congress and if so, when?

Commissioner Hallett: The FY 1990 financial plan is adequate to support Customs current resources. At this time, we do not plan to send any reprogramming request. However, we will be notifying the Congress of the reduction of $4.6 million from the Department of Transportation Drug Bill for the cargo container initiative and air program staffing.

RESTORATION OF FUNDS

Senator DeConcini: How much additional funding would be necessary in FY 91 to fully restore funding for all of the initiatives contained in the 1990 Appropriations Act as well as fund the new initiatives contained in your 1991 budget request?

Commissioner Hallett: Since the funding for the FY 1990 Congressional initiatives is the Customs budget base, we did not request any additional funding to implement these initiatives in FY 1991. The FY 1991 Budget request includes the following initiatives:

Description	FTE Positions	Amount $000
Internal Controls	10	5,200
Canine Teams and Facilities	23	5,400
Money Laundering	0	1,574
Southwest Border Inspections	175	10,000
Automated Commercial System	13	5,300
Total	221	$27,474

DRUG ENFORCEMENT INITIATIVES

Senator DeConcini: Before we get too far into discussions about 1991, I want to review the current year's programs. I have been advised that, with the exception of air interdiction assets, almost every drug initiative funded by the Congress in FY 1990 will be cut due to pay absorption, sequestration and increased health benefit costs. I am particularly concerned about the $28 million and the 435 positions we funded to increase examinations of cargo containers and the $13.8 million for 149 positions for the air program.

Plans I saw two weeks ago prepared by your staff show that you intend to spend only $3 million for 59 canine teams out of the $28 million, and only $5 million and 55 positions out of the $13.8 million for the air program staffing. Can you explain to the committee how you arrived at these reduced levels for what I consider to be two very critical drug enforcement activities?

Commissioner Hallett: The staffing allocation referred to in your question was initially presented with the FY 1991 Customs budget; however, since that time, there have been significant changes. At this time, in addition to the staffing allocation you referred to, Customs will be establishing 17 additional Canine Enforcement Teams to assist in the clearance of container shipments and other cargo. This brings the total new allocation for Cargo Container Enforcement Program for FY 1990 to 110 positions.

In addition, Air Program staffing will be increased by 79 pilots and other vital positions, as well as 15 intelligence officers. This brings the total new allocation for the Air Program to 149 positions.

I can also assure you that as resources become available, we will make every effort to implement these priority initiatives. Ultimately, we will fully staff these programs.

HIGH INTENSITY DESIGNATION--SOUTHWEST BORDER

Senator DeConcini: Has the Office on National Drug Control Policy discussed the allocation of additional resources to Customs over and above what is in your current budget for high intensity activities? If so, what has been the nature of those discussions?

Commissioner Hallett: Customs Service has not had any discussion with ONDCP about allocation of additional resources above what is in the current budget request.

OPERATION ALLIANCE/SOUTHWEST BORDER

Senator DeConcini: Could more Customs resources be devoted to Alliance and if so, for what specific purposes?

Commissioner Hallett: Yes, additional Customs resources can be devoted to Operation Alliance and are currently being considered. The following areas have been identified as those which can benefit from additional Customs support:

Improvement of the radio

Communication network which includes additional voice privacy equipment and the installation of additional repeater sites.

As a result of the recent Title 21 cross-designation agreement between Customs, the Drug Enforcement

Administration and the Departments of Treasury and Justice, it is expected that an additional 400 Customs Special Agents will be designated along the Southwest Border. Although, these are not additional positions, the majority of these individuals will be provided with Title 21 authority to conduct drug smuggling and related money laundering investigations throughout the Southwest border area. This additional authority is expected to have a positive impact on Alliance, and most specifically the activities of the Border Alliance Groups and task forces.

Senator DeConcini: Does your association Operation Alliance still prove to be an effective one in controlling the trafficking of drugs on the Southwest Border?

Commissioner Hallett: Yes. Customs continues to be an avid supporter and participant in Operation Alliance. Through the mechanism established under Operation Alliance, communication between the Federal, State, county and city law enforcement agencies along the Southwest Border has been improved.

Customs considers the cooperation of these law enforcement agencies and the coordination of their drug enforcement activities to be the most effective tool in reducing the supply of drugs entering the United States along the Southwest Border.

Operation Alliance is highly regarded by the State, county and city law enforcement membership and is recognized as a viable concept which can be effective.

SOUTHWEST BORDER

Senator DeConcini: With all of the attention being given to air operations around Colombia, what signs are you seeing that this has resulted in an increase in activity from Mexico coming in over the Southwest border?

Commissioner Hallett: The potential air smuggling threat along the United States/Mexico border remains high. Some general aviation aircraft continue to be used to transport cocaine across the border using a variety of tactics such as landing at remote airports, highways and airdropping to vehicles.

However, intelligence indicates that most air smuggling in the southwest terminates in northern Mexico and that most of the cocaine is being transported across the southwest border by land conveyances or by individuals between the ports of entry.

According to EPIC data, during FY88, 35,729 pounds of cocaine (16% of all seizures) were made from land conveyances; in FY89 the amount of cocaine seized from land conveyances rose to 78,776 pounds, and accounted for more than 27% of all cocaine seizures. Most of these seizures occurred along the southwest border.

The air interdiction capabilities along the southwest border are an integral part of the overall drug interdiction strategy. Without these resources to detect, track and apprehend, the narcotic smuggling organizations would undoubtedly choose direct air flights which are the preferred smuggling routes with the least amount of risk.

Senator DeConcini: In your opinion, what else needs to be done to curtail trafficking activities on the Southwest Border?

Commissioner Hallett: It is anticipated that with the recent designation of the Southwest Border as a High Intensity Drug Trafficking Area (HIDTA) that the role of Operation Alliance will be expanded to include coordination of enforcement activities relating to other areas of criminal activity or resulting from drug trafficking.

The efforts of the multi-agencies involved in drug enforcement activities along the Southwest Border requires direction and leadership to more effectively reduce drug trafficking and related crime along the border.

Additionally, the Federal, State, city and county law enforcement agencies need the resources to implement local and regional operations and programs which support the overall national drug control strategy.

SOUTHWEST BORDER IMPROVEMENTS

Senator DeConcini: In FY 1991 you have requested $2,248,000 to install communication and other equipment for expanded port of entry facilities on the Southwest Border. Can you provide the committee a detailed allocation of these funds by port in FY 1991?

Commissioner Hallett: The FY 1991 request for additional funding was developed from the overall functional requirements by category, such as communications, equipment data processing lines, etc. A separate breakout by specific port was not developed by port because at the time the renovations and other changes were not fully completed. We do intend to develop port-by-port estimates of these costs in order to allocate the requested funds.

Senator DeConcini: If so, how are these requests processed?

Commissioner Hallett: District requests for additional resources are transmitted to the Region. Each of Customs Regions operate with their own financial plans, which represent the annual allocation of the enacted appropriation. In most instances District requirements are met from available Regional funds. Also, in some instances, when District requirements are known in advance, as is the case with the Southwest Border Facilities, the allocation to the specific regions account for these increased needs.

However, if the funding requirements exceed available resources, the improvements are included in Customs budget request to the Congress. In fact for FY 1991 Customs is requesting $2,248,000 for the Southwest Border facilities. This initiative will of course cover the types of requirements listed in your previous questions.

Senator DeConcini: How much in additional funding has been allocated to date for the improved border facilities (Excluding GSA SLUC)?

Commissioner Hallett: The Regional financial plans are the vehicle for assuring funding is provided to the Districts along the Southwest Border. For FY 1990, we have not included additional funding for the improved facilities because these projects are not as yet completed. Several minor projects primarily related to safety requirements have been completed, but no additional funds were required. However, we are planning to provide additional funding as required in FY 1991.

Senator DeConcini: Can you please provide the Committee with a complete listing of staffing and equipment needs for each facility based on the improved facilities? What portion of funds for these additional responsibilities have been provided to date?

Commissioner Hallett: Customs has not as yet developed a detailed and comprehensive listing of staffing and equipment needs for each facility based on the improvements. Since many of the improvements are for safety and health purposes, additional resources are probably not required at these locations. Furthermore, we are awaiting the completion of these improvements so that an in depth and accurate survey can be undertaken under actual operating conditions. We anticipate that the administration will be evaluating the workload at these locations for FY 1992 when the primary improvements will be completed.

Southwest Border Improvement Program

Senator DeConcini: To date, the Congress has provided over $140 million for the Southwest Border Improvement Program. As these expanded and new border facilities come on line funds will be required for additional staffing, furniture, communications, equipment, etc. As these projects near completion, do the port or district directors request funds from headquarters for these purposes?

Commissioner Hallett: Customs FY 1991 Budget Request does include $2,248,000 for the items needed at the new border facilities but not provided by the General Service Administration (GSA). These funds will be used for required furniture, communications, equipment, etc. The regular procedure for requesting resources is for the Regional Offices to survey their districts and consolidate requests to Customs Headquarters.

Southwest Border Inspectors

Senator DeConcini: If the Southwest Border will be getting an additional 175 inspectors, where will you be taking the other 98 from?

Commissioner Hallett: At the time that Customs submitted its FY 1991 Budget Request to the Congress, it projected the full absorption of the increased AUO costs as well as half of the pay raise. However, since that time, we understand that almost $19 million additional will be transferred to Customs from the Drug Czar. Assuming that these increased funds are available for FY 1991, we anticipate that the number of inspectors positions required to be shifted to the Southwest Border will be less than initially expected; however, until the final FY 1991 appropriation is enacted, it is not possible to provide any definitive staffing figures.

Senator DeConcini: How can you allocate an increase of 175 inspectors to the Southwest Border in FY 91 without significantly reducing inspectors elsewhere?

Commissioner Hallett: The reduction of 139 inspectors in FY 1990 reflects the cutbacks necessary to absorb the sequester and the pay and benefits increase, a total of about $40 million. The overall staffing reduction for the Customs Service in FY 1990, proportionate across all of Customs, is 443 FTE, of which inspectors contributed 139 FTE, or 31.4%. Since Customs inspectors represent 32.7% of total staffing (derived by dividing 5586 inspectors by 17,106 total FTE), the actual reduction was below their staffing proportion.

During the hearing on the FY 1991 budget, I indicated that the 175 inspectors will be allocated to the

Southwest Border. We believe this task will be facilitated by the additional 314 FTE, which maintains the FY 1990 staffing level, to be provided by funding from the Drug Czar. However, if this is not sufficient, Customs will shift inspector vacancies from lower priority areas. We believe that only a small number of transfers will be required.

Senator DeConcini: Could you use more than the additional 175 inspectors? If so, what would be a sufficient amount in FY 91?

Commissioner Hallett: The request for additional inspectors in FY 1991 for the Southwest Border was developed based on the extent of the drug smuggling problem and the requirement to upgrade interdiction capabilities. We are confident that the 175 inspectors are adequate to effectively deal with current container workload and projected smuggling.

Senator DeConcini: Were the 175 positions contained in your original request to OMB or were these added by the Drug Czar?

Commissioner Hallett: Our request for 175 inspector positions for the Southwest Border was in budget submissions to both OMB and the Office of the Drug Czar. OMB approved the request for submission to the Congress. We understand that the Drug Czar also approved these resources.

TRANSFER TO OCDETF

Senator DeConcini: In FY 91 I see that an additional $5,316,000 and 55 FTEs are to be transferred to the Department of Justice for Organized Crime Drug Enforcement Task Force activities. Can you explain how these additional funds and positions were arrived at?

Commissioner Hallett: As part of a Department of Justice request to OMB, Customs requested $5.3 million and 55 FTE in additional reimbursements for the OCDETF program. OMB, however, chose to reduce Customs base by that amount, proposing to transfer that amount to Justice to then be used to reimburse Customs. The net effect of that decision is that there is no actual program increase.

Senator DeConcini: Will the funds be used to enhance activities beyond the levels provided in FY 90? If so, what activities by Customs personnel are due to be expanded?

Commissioner Hallett: As mentioned in the previous response, there is no program increase associated with the $5.3 million and 55 FTE. However, there are

also $5.0 million and 35 FTE of additional reimbursable resources, which resulted from the intervention of the Office of National Drug Control Policy in the budget process, that are to be used for the growing caseload associated with OCDETF investigations and to open new investigative areas.

VEHICLES

Senator DeConcini: You are requesting an increase of 40 vehicles in FY 91. Please explain the basis for this request.

Commissioner Hallett: The requirement for these vehicles is a result of the increase of reimbursable investigative personnel associated with the OCDETF program.

CUSTOMS AIR PROGRAM ASSETS

Senator DeConcini: What additional assets remain to be funded in order to implement the National Air Interdiction Strategy? Can you also tell us what the projected costs are for these remaining assets?

Commissioner Hallett: The additional assets required to implement the National Air Interdiction Strategy include:

- Balance of personnel to reach 960 positions (95 positions, $9.31M)
- P-3 AEW #4 ($35.00M)
- C3I upgrades ($13.41M)

Senator DeConcini: In fiscal year 1990, the Committee provided an additional $87,000,000 for the procurement of the third P-3 AEW and 10 interceptor aircraft. Can you please bring the Committee up to date on the procurement of these assets and give us an indication as to when you expect delivery?

Commissioner Hallett: Presently, the Customs contracting effort for the 10 interceptor aircraft is basically completed. Vendors and sub-contractors are expected to commence work in March. Delivery of first Interceptor expected in February/March of 1991. One per month delivery thereafter.

P-3 AEW #3 pre-contract negotiations are under way and candidate airframes are being identified. Assuming that the technical problems of #1 and #2 are resolved, P-3 #3 would be contracted in June/July timeframe. Expected project length is 18-20 months. Delivery expected early 1992.

P-3 PROGRAM

Senator DeConcini: If the Congress were to provide funding for a fourth P-3 AEW in FY 1991, would additional staffing be needed and, if so, at what cost?

Commissioner Hallett: No staffing would be required over the 960 FTE plan. The total P-3 fleet size would remain stable at six aircraft--4 AEW plus 2 tracker P-3As.

Senator DeConcini: Has an internal audit on the P-3 AEW procurement been completed? If not, when do you anticipated completion?

Commissioner Hallett: An internal investigation of the P-3 AEW procurement has been completed. The final report is now in preparation. Upon completion, a report will be submitted to the Congress, which we currently anticipate will be by the end of August, 1990.

Senator DeConcini: Assuming the system deficiencies in the first two P-3 AEWs are corrected by June, how long will it take for Customs to take delivery of the third?

Commissioner Hallett: Customs anticipates delivery of the third P-3 AEW 18-20 months after contract award.

Senator DeConcini: Please provide for the record to date information on the missions these aircraft have carried out despite the tracking problems?

Commissioner Hallett: FY 1989, P-3 AEWs flew 427 missions for a total of 2,413.2 flight hours. Of this total 2,243 hours were flown on surveillance missions. These efforts resulted in 13 arrests, seizures of: 24,760 lbs. of marijuana; 5,213 lbs. of cocaine; 2 aircraft; and 11 vehicles/vessels.

During the first 5 months of FY 1990, P-3 AEWs flew 191 missions for a total of 1,127.7 flight hours. Of this total 1007.9 hours were flown on surveillance missions. These efforts resulted in 27 arrests, seizures of: 16,867 lbs. of cocaine; 2 aircraft; and 4 vehicles/vessels.

Senator DeConcini: If funding for a fourth P-3 AEW were provided in FY 91, how would this improve the Customs overall surveillance capabilities?

Commissioner Hallett: A fourth P-3 AEW will increase mobile detection capabilities by 25 percent, as well as increase the surveillance time by approximately 1200 hours a year.

Senator DeConcini: The Subcommittee received your recent report on the acquisition of the third P-3 AEW. Your report seems to indicate that while a P-3B airframe would be preferable for the AEW modification, the Navy has only P-3As available for possible transfer to the Customs Service. What additional costs, if any, will be associated with a P-3A airframe versus a P-3B?

Commissioner Hallett: The costs associated with the conversion of a P-3A to the P-3B (Lightweight) configuration is $3.5m, as shown below:

$2.0M	for engine upgrade
1.5M	for modification
$3.5M	Total

P-3A VICE B

Senator DeConcini: How will the performance of the modified aircraft be affected by the use of a P-3A versus a P-3B?

Commissioner Hallett: The P-3A has between two and five hours less station time than a P-3B due to a reduced fuel load. This reduced fuel load is due to the fact that the P-3A payload is 7000 pounds less than a P-3B due to the aircraft's design operating limitations.

P-3 PROGRAM

Senator DeConcini: When do you expect to receive a response from the DOD on your request for a P-3B loan?

Commissioner Hallett: March, 1990.

The Navy has offered a lightweight aircraft for transfer to the USCS. We believe that it would be much more cost effective to use a P-3B heavyweight airframe for the third P-3 AEW modification. Negotiations are continuing through the DOD Coordinator for Drug Enforcement Policy and Support for a heavyweight aircraft. We do not know how long the Navy will take in making a decision on our request for a heavyweight P-3B aircraft.

Senator DeConcini: With respect to the Procurement on the third P-3 AEW, your report states that you have asked the contractor to provide information on the feasibility of completing the modification and testing on the aircraft at South Carolina instead of Burbank. What are the advantages of this approach? Are there any cost-savings to having the work done at South Carolina, and if so, how much?

Commissioner Hallett: There is an advantage to this approach. Due to lower labor rates in South Carolina, there would be a cost savings of $2.6M.

AEROSTATS

Senator DeConcini: Can you provide the committee with an updated report on the status of the aerostats including which are operational and your proposed plans for the remaining installations?

Commissioner Hallett: The Customs operational aerostats are at Yuma and Fort Huachuca, Arizona, and Deming, New Mexico. An Air Force system operates at Cudjoe Key, Florida, and a Coast Guard system is operating on Grand Bahama Island.

Customs sites at Marfa, Eagle Pass and Rio Grande City, Texas, have been completed. Marfa and Rio Grande City are grounded as a result of the destruction of the Eagle Pass system on December 28, 1989. None of these sites have been accepted by the U.S. Government. Resumption of acceptance testing at Marfa and Rio Grande City along with decisions pertaining to Eagle Pass are pending the results and findings of the General Electric Company's report of investigation.

Likewise, execution of the G.E. contract options for the (funded) procurement of systems for Great Inagua Island, Matagorda, Texas and Horseshoe Beach, Florida, is also pending for the same reason.

The George Town site was completed in September 1989. Acceptance testing has been delayed due to operational problems at the Stella Maris nondirectional beacon. Also, full aerostat operations are pending the closing of the George Town Airport and start of operations at the new Moss Town Airport.

The Puerto Rico system is presently in production and site construction is in progress. This system is scheduled to be operational November 1, 1990.

Senator DeConcini: Last month, you experienced a technical problem with the Eagle Pass, Texas, aerostat. In the meantime, all three Texas G.E. Aerostats were grounded while you conducted an independent evaluation of the damage and cause. What is the status of that evaluation and what are your findings so far?

Commissioner Hallett: The initial report from General Electric is in. Preliminary findings are:

- Lightning struck the tether
- The tether failed at a tether jacket repair point
- The jacket repair was inadequate to keep moisture out of the tether, providing a path into the tether for the lightning
- Cause of the degradation of the Kevlar strength in the tether is not fully understood at this time

The final report and plan of proposed corrective actions is expected by mid-April 1990.

Senator DeConcini: How long will it take to redeploy an aerostat at Eagle Pass and what do you intend to do, in the meantime, to fill the radar gap?

Commissioner Hallett: There are various options being explored to recover at Eagle Pass, ranging from 6 weeks to 5 1/2 months. The decision of which option to select will be based upon thorough analysis of the data and findings of the ongoing investigation and the time required to correct the identified problems.

In the meantime, aircraft radar patrols by Customs and DOD will be conducted along the Texas-Mexico border.

Senator DeConcini: What are the latest seizure statistics attributable to the aerostats?

Commissioner Hallett: In fiscal year 1989, 32 detections by aerostats resulted in 6 arrests, the seizure of 4 aircraft, 1,680 pounds of cocaine, 2,000 pounds of marijuana, 3 vehicles and $ 10,000.00 in cash.

In the first quarter of fiscal year 1990, 7 detections by aerostats resulted in 7 arrests, the seizure of 3 aircraft, 3 vehicles, 803 pounds of cocaine and $20,000.00 in cash.

Senator DeConcini: What is the status of the Gulf aerostats to be procured by the DOD?

Commissioner Hallett: Plans are to deploy systems at Matagorda, Texas; Morgan City, Louisiana; Alabama Port, Alabama; Horseshoe Beach, Florida and redeploy the Air Force's Cape Canaveral System to Venice, Florida.

- Matagorda and Horseshoe Beach are funded and their schedule is pending either the execution of options in the current G.E. contract or a decision to recompete the contract. This will be predicated upon the final results of the Eagle Pass investigation.

- The redeployment of the Cape Canaveral system to Venice, Florida is pending military construction funding.

Senator DeConcini: What about the DOD plans to acquire a spare aerostat? Has DOD coordinated their plans to acquire the Gulf aerostats with Customs?

Commissioner Hallett: The DOD has allocated $6.9 million of FY-1990 funds for the procurement of a spare aerostat system. Current estimates are $7.5 million for a complete spare system, to include an aerostat hull, radar and tether.

Yes, DOD provides a liaison to the Customs Aerostat Joint Program Office through Headquarters, Tactical Air Command.

Senator DeConcini: What percentage of the time were the aerostats down in 1989 and thus far in 1990, due to weather, maintenance and other reasons?

Commissioner Hallett:

AEROSTAT	% ON STATION	% DOWN WEATHER	% DOWN MAINTENANCE	% DOWN OTHER
FISCAL YEAR 1989				
YUMA	83%	05%	10%	02%
FT. HUACHUCA	65%	26%	08%	01%
DEMING	74%	15%	08%	03%
HIGH ROCK	55%	25%	20%	00
CUDJOE KEY	60%	22%	18%	00
CAPE CANAVERAL	58%	13%	25%	04%
FISCAL YEAR 1990 - FIRST QUARTER				
YUMA	84%	04%	11%	01%
FT. HUACHUCA	78%	16%	04%	02%
DEMING	82%	08%	09%	01%
HIGH ROCK	61%	35%	03%	01%
CUDJOE KEY	59 %	17%	24%	00

Senator DeConcini: Are there certain aerostats which appear to have a better operational capability than others?

Commissioner Hallett: Both the T-COM and G.E. systems meet and/or exceed the operational requirements established by Customs.

With less than two years aerostat operational experience on the Southwest border, it would be premature for Customs to make any further definitive judgements on the existing data.

Senator DeConcini: What is the status of the Great Inagua aerostat? Is an aerostat still planned for this site and if so, where will the funds for this installation be provided and when?

Commissioner Hallett: The DOD has provided Customs $ 47.5 Million of FY-1989 funds for the procurement of the Great Inagua system and two Gulf sites.

A DOD/Interagency consensus has placed the deployment of the Great Inagua system as first priority.

Predicated upon the results of the Eagle Pass investigation and the exercise of G.E. contract options on or before June 1, 1990, Great Inagua is currently scheduled to be operational by December 1, 1991.

Senator DeConcini: How is surveillance coverage being provided to the Bahamas and the Turks and Caicos, in the meantime?

Commissioner Hallett: Both DOD ground based radars and Customs and DOD radar equipped aircraft provide radar surveillance to the Southern Bahamas and the adjacent Turks and Caicos Islands.

Senator DeConcini: What is the status of the George Town Balloon? What are the total costs of installation for this aerostat?

Commissioner Hallett: The Quick Look Test is scheduled to commence March 16, 1990. Initial Operating Capability is estimated to be April 1, 1990. Full aerostat operations will be dependent upon the closure of the George Town Airport and the start of operations at the new Moss Town Airport.

Obligated Costs to Date.........	$21.650 Million
Anticipated Additional Costs....	$ 0.971 Million

Senator DeConcini: What is the status of the Puerto Rico balloon? Have all funds for its installation been provided to date?

Commissioner Hallett: The system for Puerto Rico is currently in production and the site at Lajas is under construction. Estimated final operating capability is November 1, 1990.

An estimated $404,346 remains to be provided by the Commonwealth of Puerto Rico to cover the total system price of $11,300,737. This includes the $2.0 Million obligated by Customs.

AIR PROGRAM, OPERATIONS AND MAINTENANCE

Senator DeConcini: Have you asked the Drug Czar's office for assistance?

Commissioner Hallett: No.

SUPPORT HELICOPTERS

Senator DeConcini: In FY90, Congress provided $1.8 million to allow Customs to refurbish surplus UH-1H helicopters from the Army. It is my understanding that those assets have not yet been transferred to the Service. What is the status of your request to the DOD?

Commissioner Hallett: A letter dated January 11, 1990, from the Deputy Assistant Secretary, Drug Enforcement Plans and Support indicates that the U.S. Army is undertaking a second review for excess helicopters.

Senator DeConcini: In FY 1991, the budget includes an additional $2,214,000 for the refurbishment of UH-1H helicopters. Can you explain the basis for this request? How was the nonrecurring cost of $800.000 in FY 1991 for this activity arrived at?

Commissioner Hallett: The $2,214,000 is the cost estimated to put ten UH-1H helicopters into an improved condition and to operate them for the year.

The $1,800,000 appropriated for support helicopters in the FY 1990 budget will be used to equip these helicopters for the enforcement support mission, i.e., radios, searchlights.

Senator DeConcini: Your justification states that Customs has accepted delivery of three new utility helicopters to perform support. Can you explain which helicopters you are referring to and where the

acquisition of these helicopters will put the Customs Service vis-a-vis your support requirements?

Commissioner Hallett: I am referring to the BK-117 helicopters.

Customs requires 16 utility helicopters to satisfy the enforcement support mission requirements. The acquisition of three BK-117s increased the support helicopter fleet to a total of seven thus providing Customs the ability to respond to more enforcement support requests. The long range goal is to standardize the utility helicopter fleet with the BK-117 for increased economy and safety.

Senator DeConcini: Do you have any reason to believe that these helicopters will be transferred to the Service this fiscal year?

Commissioner Hallett: Yes. Informal information indicates the transfer of UH-1H helicopters will occur by the end of the current fiscal year.

C3I CENTERS

Senator DeConcini: What enhancements will be funded for the C3I Centers in FY 1990 with the $5,000,000 provided by the Congress?

Commissioner Hallett: Houston Air Route Traffic Control Center connection to C3I East and C3I West = $1.6M.

FAA Terminal Center installation and test capability for C3I/FAA interface.

Automated message handling = $.25M.

Beeper recorded announcement = $.75M

Ops/Intel version 2.0 = $.50M

JAX/LAX ARTCC Integration = $1.6M

Senator DeConcini: Can you please provide the committee with an update regarding the status of the C3I Centers?

Commissioner Hallett: Both C3I centers are operational. C3 operations were transferred from the Miami Air Route Traffic Control Center (ARTCC) to C3I East at Richmond Heights on December 31, 1989. C3I West began initial operations on a 7x24 basis in September 1988.

Senator DeConcini: Have you determined whether the problems are related to the aerostats or the C3I tracking equipment?

Commissioner Hallett: At this point the assumption is that the problem is with the aerostats data corrections to account for their movement (blow down and alignment). It is currently insufficient to be accepted by the C3I fusion processor. The C3I processor is successfully fusing the fixed radar data it receives.

C3I PROBLEMS: INTEGRATION

Senator DeConcini: I understand that you are experiencing technical difficulties with respect to the tracking component of the equipment at C3I East. Can you tell us about these technical problems and what is being done to correct the deficiencies?

Commissioner Hallett: If tracking problems refer to the integration of aerostat radar to the displays at C3I then problems still appear to exist.

Some fusion of aerostat data is occuring but difficulties exist with registration of aerostat data being sent to the C3I centers. However, there appears to be recent progress in this area. As of yesterday, the aerostat data from the three operational aerostats in the West have been successfully integrated into the C3I(W) displays. As of this time we are evaluating the quality and consistancy of data integration.

SOURCE CODE

Senator DeConcini: What is the status of the source code information on the C3I software? What steps are you taking to retain and/or develop this information?

Commissioner Hallett: The source code of the C3I software is an issue of contention between USCS and a former contractor (Telephonics Inc.). The contractor is claiming that the software is proprietory. USCS holds that all software developed under contract TC-87-039 is property of the government. The issue may need to be settled in court. Without the source code, awardees of on-coming contracts dealing in the Surveillance and Ops Intelligence subsystems may have to do reverse engineering in order to make necessary upgrades and corrections to the orignal software.

C3I CENTERS

Senator DeConcini: On February 6, 1990, Customs submitted a report to this subcommittee on the current status of the C3I Program. That report indicates that the $5.0 Million provided last year for C3I enhancements is to be used in seven areas. Would you please provide for the record how much of the $5.0 Million will be allocated for each of these seven requirements.

Commissioner Hallett: The $5.0 Million will be allocated as follows: (There are now only six areas, track performance includes system redundancy).

Vinson encryption for UHF radios = $.9M

CNAC equipment and installation = $1.4M

The development of software version 2.0 for OPS/INTEL and the Blue Lightning Operations Center (BLOC) transition = $.7M

Spare equipment parts for the C3I system = $.8M

Tracker performance (preliminary analysis) = $.4M

Design, develop, integrate, test and install Customs interface controller for the Federal Aviation Administration (FAA) Technical Evaluation Center (TEC) located at Atlantic City, New Jersey and the Houston Air Route Traffic Control Center = $.8M

Senator DeConcini: It was my understanding that your first priority for upgrades was the installation of a 5,000 track tracker. Will funds be devoted to this project in FY 1990? If so, how much?

Commissioner Hallett: (Integration of the aerostats is top priority.) Preliminary analysis and design efforts of the 5,000 track tracker is included in the FY 1990 effort at an estimated cost of $400,000. The eventual goal is to implement such a capability in FY 1992.

Cost Breakout

$ .4M = Preliminary Analysis
1.0M = Detailed Design
6.0M = Hardware and Installation
$7.4M Total Funding Estimate

TRACKER VICE INTEGRATION

Senator DeConcini: Can this upgrade be made without first fixing the tracking problems? Please explain.

Commissioner Hallett: Yes. However, integration of the aerostats data is a higher priority item than the 5,000 track tracker. The tracker relates to the capacity of the system to provide track information for radar contacts and is not directly related to the aerostat integration program.

C3I LONG-TERM FUNDING

Senator DeConcini: What are the long-term funding requirements of the C3I Centers to permit full development of the systems as originally intended? What funds are included in the 91 Budget for C3I upgrades?

Commissioner Hallett: A five year enhancement program has been developed and proposed with a total estimated cost over the five years of $45M. However full operating capability at the C3I's should be acheived with the FY-90 funding effort. There is no funding included in the 91 Budget for C3I upgrades.

DOD INTELLIGENCE

Senator DeConcini: What steps has the Department of Defense undertaken to integrate intelligence information sharing with the C3I Centers?

Commissioner Hallett: DOD has provided a data link and information exchange system called J-VIDS (Joint Video Information Display System) to the C3I sites to provide intellegence integration and sharing.

DOD/C3I INTEGRATION

Senator DeConcini: Have any DOD funds been provided for the C3I integration, to your knowledge?

Commissioner Hallett: DOD has funded the installation of the J-VIDS system.

Senator DeConcini: What about enhancements at the C3I Centers? Have you discussed with DOD the need for additional resources to undertake these enhancements? Is this an appropriate responsibility for the DOD? If so, What are the prospects for receipt of DOD funds for these purposes?

Commissioner Hallett: DOD is funding the development and installation of the Aerostat Network which will greatly enhance low level detection capability for the C3I. USCS has in the past identified technical areas to DOD which would enhance the C3I, such as the increased capacity tracker. USCS cannot speak to the appropriateness of DOD responsibility nor anticipate the availability of DOD funding. DOD is also providing some additional technical personnel this summer.

DUPLICATION OF C3I

Senator DeConcini: Do you see any duplication of efforts by the DOD with respect to its development of the Joint Intelligence Centers?

Commissioner Hallett: No, there should not be a duplication of effort assuming that DOD is working to provide support to Law Enforcement Interdiction Efforts. Therefore, DOD detection resources used or operated would be supplementary to the LE detection effort. DOD Intelligence agencies would also supplement current intelligence developed by the L.E. community.

DOD INTERDICTION ROLE

Senator DeConcini: How many Defense in-depth missions has Customs undertaken so far this fiscal year? Were they effective? How many missions are planned for FY 1991?

Commissioner Hallett: 63 Defense in-depth missions were undertaken by Customs in FY 1990 to date. Tactical operational planning is done only 6 months in advance due to the need to continually reassess the current threat. Finalized planning is completed one month prior to the beginning of the next quarter. Flexibility is retained in scheduling to meet unforseen threats or to respond to intelligence.

Senator DeConcini: Are these activities being coordinated with Customs?

Commissioner Hallett: Yes. Activities that pertain to Customs are coordinated. Customs personnel are represented at all operating anti-drug nodes of DOD (i.e., Joint Task Force Centers and NORAD). Relevant agencies participate in joint planning efforts for operations.

Senator DeConcini: Drug Strategy II calls for increased involvement by the Department of Defense in Drug Interdiction on the Southwest Border. Does this expanded DOD role in any way alter the Customs responsibilities?

Commissioner Hallett: The role of USCS is not altered by increased DOD effort on the Southwest Border. The effort of all law enforcement agencies should be enhanced by DOD resources.

AUTOMATED COMMERCIAL SYSTEMS (ACS)

Senator DeConcini: In FY 91, your budget includes an increase of $5.3 million and 13 FTEs for the development of new modules for the Automated Commercial System (ACS). Can you tell the committee specifically how these funds will be used in FY 91 and explain what specific benefits will be realized from the development of the new modules?

Commissioner Hallett: The increase will be used for ACS system development to achieve a high level of paperless entry summary processing. The three major areas covered in the 1991 increase are Other Agencies Interface, Border Selectivity and Line Release.

The Other Agencies Interface system will automate approximately 40 agencies information collection requirements to achieve full "paperless" processing.

The Border Selectivity system will expand ACS cargo selectivity processing to Northern border locations. This will allow Customs to fully and uniformly enforce trade and marking initiatives and will provide the Bureau of Census with uniform trade statistics data and identify shipments which originated overseas and are in transit through Canada.

The expansion of ACS Line Release to airports, courier hubs, and seaports will enable Customs to give expedited release of cargo at primary inspection sites.

Over $4,000,000 will be used for contract system programmers to support the system initiatives explained above.

ANDEAN INITIATIVE

Senator DeConcini: What role will Customs play in the Andean Initiative, if any? What Customs assets have or will be devoted to missions in support of this initiative?

Commissioner Hallett: None. The Aviation Program will have no role in that initiative.

TITLE 21, 881 INVESTIGATIONS

Senator DeConcini: I congratulate you Madame Commissioner, on the negotiation of a favorable resolution to the Title 21 controversy. I understand that the Department of Justice has agreed to cross-designate 1,000 Customs agents for Title 21 investigations. I also understand that the DEA is not very happy with the result of the negotiations. Where does the agreement of Title 21 stand?

Commissioner: Yes, Treasury/Customs and Justice/DEA were successful in reaching a written agreement wherein over the next 18 months, an additional 1,000 Customs special agents will be granted drug investigation authority by the Drug Enforcement Administration. The signing of this agreement is a major achievement and will improve our anti-drug efforts. President Bush's National Drug Control Strategy recognized the fact that attempts at "cold" interdiction could never be as effective as interdiction-specific investigations targeting drug smuggling organizations. Now, more Customs special agents, who in the past had no drug investigation authority, but who have the responsibility for drug interdiction, will be able to more effectively pursue drug smuggling organizations. This will enhance Customs interdiction missions by providing increased emphasis on the collection, analysis and dissemination of intelligence about these organizations and their smuggling routes and methods.

The other major benefit of the cross-designation agreement is that the Customs Service will now be able to use drug investigation authority in addition to its current financial investigation authority to better attack the international money laundering organizations which are responsible for transferring drug money out of the United States. International money laundering is one of the Customs Service's highest priorities.

There may be some who feel the agreement is not in their best interest. However, I believe the agreement works to benefit DEA and Customs. The agreement clearly recognizes DEA as the lead agency for drug investigations and also provides for close coordination between DEA and Customs drug investigation activity. Coordination, cooperation communication are critical elements of our Federal drug investigation efforts. The agreement should go a long way in ensuring these elements are fully integrated into our Federal drug effort.

Customs and DEA are currently meeting to jointly develop an implementation plan for the January 10, 1990, agreement. There are still a few areas where Customs and DEA do not agree. Those areas, such as the extent and level of supervision exercised by DEA over Customs drug investigation activities and what task force structure is best suited to allow Customs to reach its objective in attacking smuggling organizations and related money laundering organizations are still being discussed. We will make every effort to resolve these issues.

An important element of the agreement is a requirement for coordinating mechanisms to be put in place which will maximize the investigative efforts of both DEA and Customs and therefore, increase the pressure against drug smuggling and related money laundering organizations. By March first, we anticipate the cross-designation of an initial 400 made in High Intensity Drug Trafficking Areas (HIDTAs). Additional designations will be made both within as well as outside the HIDTAs. Customs looks forward to working closely and in a coordinated fashion with DEA as a result of this agreement.

SHARING OF 881 ASSETS

Senator DeConcini: Do you intend to negotiate a solution with Justice on the sharing of 881 assets? If so, what is the status of those negotiations?

Commissioner: As you know, in November 1988, the Justice Department's Office of Legal Counsel issued an opinion that the Customs Service had no independent authority to seize and forfeit drug-related assets under 21 U.S.C. 881. Although the Customs Service disagreed with that opinion, and the courts have never suppressed any evidence based on Customs lack of jurisdiction, Customs agreed to accept the opinion in order to go on with the war on drugs. We do anticipate negotiating with the Department of Justice on Title 21 U.S.C. 881 asset seizures. In fact, this is part of the January 10, 1990, cross-designation agreement we reached. I anticipate the negotiations to commence in the very near future, perhaps as early as next month. Furthermore, I anticipate those negotiations will result in a solution that is built on fairness, equitable distribution and administratively expedient processing of seizures and forfeitures.

DRUG CZAR'S ASSISTANCE

Senator Deconcini: Has the Drug Czar's office provided any significant assistance in this dispute?

Commissioner: The Office of National Drug Control Policy did contribute to the January 10, 1990, agreement. ONDCP provided close oversight on the progress of the negotiations and when the negotiations slowed, acted as an arbiter between the parties. These efforts, together with those of the Deputy Attorney General and the Deputy Secretary ultimately allowed Administrator Lawn and I to enter into the January 10, 1990, cross-designation agreement. ONDCP is overseeing the implementation of this agreement.

MONEY LAUNDERING

Senator DeConcini: In FY 91 you are requesting an increase of $1,574,000 for money laundering activities. I notice no positions are being requested with these funds. What specific activities will be undertaken with the $1,574,000? Is this request for an enhancement to FinCEN, or will the funds be used for other Customs money laundering purposes? If so, can you tell us for what purpose?

Commissioner Hallett: The $1,574,000, is an enhancement for FinCEN, the funds are not intended for other Customs money laundering purposes. The $1,574,000 will be used to obtain the following items for FinCEN:

- -Additional PCs and support equipment
- -Microcomputer system
- -Artificial Intelligence system
- -Enhancement of security and telecommunications.

Senator DeConcini: How many Customs employees will be detailed to FinCEN in FY-1991? Can you please tell us how many positions will be for agents, analysts, or other support?

Commissioner Hallett: Approximately 22 Customs employees will be detailed to FinCEN in FY-1991. The entire 22 positions will be Special Agents.

Senator DeConcini: For positions provided on a reimbursable basis to FinCEN, where will these individuals be taken from and what will be the impact on the activities these individuals are presently carrying out?

Commissioner Hallett: None of the positions in FinCEN will be reimbursable to other agencies. In addition to the 148 FTE, FinCEN will have approximately 48 special agents and criminal investigators from other agencies. Currently FinCEN has positions from the following agencies: Customs, IRS, Secret Service, State Department, DEA, FBI, and ATF.

By the end of fiscal year 1990, it is anticipated that FinCEN staffing will include Special Agent and Intelligence Analyst positions from the following agencies: Customs, IRS, Secret Service, DEA, FBI, ATF, Postal Service, and Coast Guard.

In addition, recent meetings with managers of various agencies have resulted in the following commitments:

-Examiner from the Federal Reserve Bank on a long term detail to FinCEN.

-Intelligence Analyst from the Nuclear Regulatory Commission on a long term detail to FinCEN.

-Special Assistant to the Attorney General, as well as, the Assistant Director, FBI and the Assistant Administrator (Operations), DEA have promised to support FinCEN with resources.

-The U.S. Postal Inspector will shortly detail an inspector to FinCEN for a long term assignment.

An indication of further cooperation is that FinCEN has been requested to participate in a major investigation being conducted by the Organized Crime Drug Enforcement Task Force (Department of Justice), and to develop information for the CIA (Counter Narcotics Group).

Senator DeConcini: You are requesting $5,601 million and 96 positions to annualize the costs of the 1990 FinCEN project. Can you explain specifically how these funds will be allocated in FY-1991?

Commissioner Hallett: The $5,601 million annualization increases for FY 1991 is for the January pay increase and full year cost of the FTE. The $5,601 million also includes a small cost ($205,000) increase for the lease of our building, increase of the guard contract, utilities services, and other service contracts.

Senator DeConcini: What is the total budget proposed for FinCEN in FY-1991?

Commissioner Hallett: The total proposed budget for FY-1991 is $16,188 million. This includes a $1,574 million enhancement.

Senator DeConcini: Can you please provide a specific breakdown of the funds and positions for FinCEN included in the FY-1991 Budget?

Commissioner Hallett: The FY-1991 budget of $16,188 million includes the following:

Personnel Compensation and Benefits	$8,393,000
Travel, Transportation of of Persons and Things	1,380,000
Rent, Utilities, Communications, Services, Supplies, Materials and Equipment	6,415,000
TOTAL	$16,188,000
FTP FTE	148

Senator DeConcini: In FY 91 you are showing nonrecurring costs of $4,374,000 for FINCEN. Can you explain on what basis you arrived at the nonrecurring costs for FINCEN?

Commissioner Hallett: The nonrecurring costs are derived from a Customs budget model for new position cost estimates. The model differentiates between types of positions, i.e. agents, inspectors, etc. The first year costs for new hires for new positions are naturally higher because of the costs of training and associated costs, initial supplies, and basic equipment required for the new employee.

Senator DeConcini: How much money and how many Customs personnel have been devoted to money laundering investigations in FY 90?

Commissioner Hallett: Our current estimate for the money laundering investigations program for FY 1990 is $62.8 million and 556 FTE.

Senator DeConcini: What levels are included in the FY 91 budget for money laundering investigations exclusive of FINCEN?

Commissioner Hallett: The estimate for the Customs Service money laundering investigations program for FY 1991, exclusive of FINCEN, is $43.5 million and 421 FTE.

CUSTOMS/COAST GUARD

Senator DeConcini: I note in Drug Strategy II that Customs and Coast Guard will now be given joint lead jurisdiction on the National Air Interdiction Strategy. What impact if any will this have on the overall coordination and effectiveness of the Air Program?

Commissioner Hallett: Today Customs and Coast Guard are full partners in interdiction. Lead agency roles are well defined, understandings implementing these roles have been signed, and most importantly, the C3I East Center is staffed with 50 percent Coast Guard personnel and will be commanded by a Coast Guard officer on a biennial rotation. The spirit of all of the agreements we have reached reflect the C3I Center's eminence as the focal point of drug interdiction command and control in the Southeast and ensures that the full effectiveness of the air interdiction program will be served.

Senator DeConcini: What procedures have been adopted to insure that this joint designation will run smoothly?

Commissioner Hallett: The Customs Service and the Coast Guard facilitate mutual working agreements through the establishment of Memorandums of Understanding signed by the respected agency heads. The agreement previously cited at C3I East is a good example of how well our two agencies are performing together.

INTERNAL CONTROLS

Senator DeConcini: Your budget includes an increase of $5.2 million and 10 positions for the establishment of a new office of internal controls. The justification states that this is part of a multiyear initiative to correct internal control deficiencies and develop new automated financial and management systems. Can you please provide details

on this initiative, explain which deficiencies will be corrected and tell us what the long-term costs are for this project?

Commissioner Hallett: Customs has had an ongoing program to correct FMFIA deficiencies, using existing resources.

This initiative continues that work. As a result of deficiencies noted in FMFIA reviews and GAO audits, a new centralized, integrated, administrative system for accounting and logistics functions will be developed. This new modular system will be referred to as the Asset Information Management System (AIMS). Funding will provide contractor support to work on the AIMS software.

Mainframe computer capacity will be increased to accommodate AIMS in an on-line work environment which will work toward the electronic exchange of purchase orders, invoices, payments, and other administrative actions.

The request also includes 10 FTE, primarily analysts, who will be used to establish a new organization responsible for consolidating all of Customs internal control functions as well as provide support to the maintenance of the new automated financial management system and other internal control programs.

The principal areas of FMFIA deficiencies include: undeposited collections, cash reconciliation, and preparation of directives. Since the start of FY 1990, three deficiencies have been corrected and three more are anticipated to have been corrected by the end of March, leaving 21 remaining open deficiencies.

Long term plans include additional computer hardware to increase capacity, currently estimated to cost an additional $10-15 million, and continued development of AIMS.

NONRECURRING COSTS

Senator DeConcini: In FY 91 you are showing nonrecurring costs of $5,614,000 for the cargo container examination initiative. If the initiative is not fully funded in FY 90, how can these funds be expected to non-recur?

Commissioner Hallett: The estimate of $5,614,000 was based on full funding of the initiative and equals $13 thousand per position. If the initiative is not fully funded in FY 90, the amount nonrecurred would be less by an amount corresponding to the FTE funded.

Senator DeConcini: What if Customs funds more of the initiative in FY 90 than was anticipated in the formulation of your 91 budget? What impact would this have on the nonrecurring costs?

Commissioner Hallett: As described in the previous answer, the amount nonrecurred would depend on the FTE funded.

A-76 SAVINGS

Senator DeConcini: How were the savings of $831,000 and 98 FTEs due to A-76 savings calculated? Did OMB give you specific guidance on how to achieve the projected savings? If so, please explain the assumptions made by OMB.

Commissioner Hallett: As a result of the ongoing A-76 process, Customs share was determined to be $831,000 and 98 FTE. We would have to provide the OMB assumptions for the record.

REPRESENTATION FUNDS

Senator DeConcini: You are requesting to increase the funds provided for your representation fund by $10,000 to a new level of $20,000 in FY 91. Please explain why this increase is necessary.

Commissioner Hallett: Customs representation fund has been at $10,000 for the past 5 years. However, demands for us to host international visitors has significantly increased. Also, inflation has also played a part in increased expenses. Therefore, despite judicious use of the funds provided, we have already spent over 50 percent of the $10,000 in the first quarter of the year.

Senator DeConcini: Currently, does the $10,000 cover all costs for official representation and receptions? If not, how is the shortfall being provided?

Commissioner Hallett: No, the funds do not cover all costs of official representation. We have to limit the amount we can provide for each international function. Unfortunately, these limited amounts do not meet the standards by which other countries have hosted official U.S. delegations. To reciprocate in a customary manner, Customs officials usually meet the demand by using their own personal funds.

AUTOMATED COMMERCIAL SYSTEMS (ACS)

Senator DeConcini: What are the long range goals for the development of ACS and costs?

Commissioner Hallett: To expand automated commercial processing for the Customs Service, other agencies who interact with Customs, and the private sector served by Customs while maintaining the software, hardware, and communications infrastructure of the automated system.

To interface electronically with the majority of sea and air carriers, port authorities, couriers and service centers; 100 percent of our entry documentation will be submitted electronically. Electronic invoices, whether in AII or EDIFACT, will be processed routinely. Our employees will improve their computer-literacy and perform the preponderance of their duties through the use of ACS. We will have eliminated backup paperwork for much of the entry system in ACS.

The major automation projects and their target dates are listed below:

Rewrite/simplify system Security and Front-End Processing)	1991
Drawback Module, initial automated features	1991
Air Manifest enhancements, and Air Courier processing	1991
Temporary Importation under Bond, initial automated features	1991
Receive and process electronic invoices	1991
Add new automated features to informal entries	1991
Other Government Agencies pilot with Fish & Wildlife Service and FDA	1991
Additional reports for some other Government Agencies	1991
National expansion of Border Selectivity will begin	1991
Surety Interface design	1991
ACS Lockbox - HMF billings, receipts	1991
FP&F Lockbox & Collections document	1991

Automated quota processing, new features	1991
Foreign Trade Zone and Warehouse entries, initial automated features	1992
Integration of FP&F and seizure processing systems (7 systems)	1992
General Order System, initial automated features	1992
Laboratory Interface, initial features	1992
ACS linkages with customs services of other nations for exchange of trade data	1992/93
Expansion of Fish & Wildlife Service and FDA interfaces	1992/93
Warehouse & Foreign Trade Zone inventory Control Modules, added features	1993
Export Data System with Commerce, State, Defense, DAG and Energy, initial system features	1993
National Summary Selectivity (NSS) Phase III automatic feedback of processing results	1993
Interface with NSS	1994
Expansion of Other Agencies Interface	1994
Completion of Import Specialist Enhancements	1995
Employment of expert systems in selectivity processing	1995
Automated VISA exchange & verification systems with exporting countries	1995
NSS Phase IV automated analysis of history files and update of Selectivity Criteria database	1995

Costs involved are broken down into three areas, hardware/communications and support; software development; and design/test/implementation. Hardware costs will run approximately $1,110,000 each year from 1991 through 1995 and software costs $2,400,000 each year. Listed below are expected costs for designing, testing, and implementing:

FY	Recurring Costs	New Costs	Totals
91	$15,000,000	$ 6,150,000	$21,150,000
92	$17,300,000	$ 7,390,000	$24,690,000

93	$21,000,000	$ 7,950,000	$28,950,000
94	$25,100,000	$ 8,550,000	$33,650,000
95	$29,600,000	$ 9,250,000	$38,850,000

Senator DeConcini: Will the 1991 project result in any savings in productivity, if so how much?

Commissioner Hallett: Yes, the 1991 ACS projects will result in a continuing productivity savings to Customs. A 1987 OMB/Treasury study, **The Automated Commercial System Impact on Customs Commercial Operations**, determined that Customs had experienced an average annual 10 percent productivity improvement for ACS's first five years of operation.

In 1989 Customs processed 3.2 million seaborne containers and 1.7 million tons of air cargo, an increase of 1 million each from that processed in 1980. While arrivals of sea passengers, vessels, cars, trucks and trains remained at about the same levels, Customs processed about 100,000 more aircraft arrivals, 15 million more air passengers, and 500 million more land passengers than in 1980. Likewise, informal entries have increased by more than 5 million and formal entries have increased to 10.5 million, more than double the 4.5 million processed in 1980. All of these increases in cargo and passenger volume have occurred during a time when Customs commercial operations staff has remained about the same, 9,000 employees. To the extent that Customs has kept up with this growth in workload, we have done so through changes in procedures and systems automation.

For the next five years, Customs expects similar increases in workload with minimal additions to its commercial operational staff. Similar productivity savings will result from the continued operation and expansion of ACS.

Because of additional ACS features, including those in the 1991 budget, the transaction volume will increase 75 percent by 1995, while formal entries will increase by 50 percent. By the year 2000 it is expected that duty collections will exceed $40 billion. This represents a productivity increase of over 10 percent per year. We anticipate that Customs will continue to handle this massive workload without significant increases in staffing.

CANINE INCREASE

Senator DeConcini: Your budget also proposes to increase by 23 the number of canine teams on the southwest border in FY 91. I believe this will increase the total of teams there to 137. Is this level sufficient to respond to the ever increasing drug threat on the southwest border?

Commissioner Hallett: Of the 23 positions allocated to the canine program in FY 91, 20 will be deployed on the southwest border. The remaining 3 teams will be assigned to three other high intensity drug areas (one each to Miami, Houston, and Los Angeles). This will bring the total canine coverage along the southwest border to 189 teams. This level will still not be sufficient to obtain our goal of having the ability to screen 100% of the vehicles entering the United States through our southwest border ports.

Senator DeConcini: Can you provide a breakdown for the record of the number of canine teams allocated by state and provide a comparison to the number proposed to be allocated in FY 91?

Commissioner Hallett: The number of teams that will be in place in ports of entry along the southwest border by the end of each year is:

	FY90	FY91
Texas	93	102
New Mexico	2	3
Arizona	24	29
California	50	55

Senator DeConcini: Your justification states that the expansion will allow Customs to train an additional 80 teams per year. Besides Customs which other entities are permitted to use the Front Royal facility and how many teams by entity do you expect to train next year? Is this training provided on a reimbursable basis?

Commissioner Hallett: With our current instructional staff we have the ability to train 120+ canine teams per year. Besides Customs, we anticipate at least 20 training slots (yearly average) to be available to foreign, state, and local law enforcement agencies. This training is provided on a reimbursable basis.

Senator DeConcini: Do the dogs and their handlers receive periodic retraining at Front Royal? If so, how often and under what circumstances?

Commissioner Hallett: We currently have a requirement to train an average of 20 replacement teams per year due to loss of personnel and canine losses due to age, medical problems and/or proficiency problems.

INTERNAL CONTROLS

Senator DeConcini: Your budget includes an increase of $5.2 million and 10 positions for the establishment of a new office of internal controls. The justification states that this is part of a multiyear initiative to correct internal control deficiencies and develop new automated financial and management systems. Can you please provide details on this initiative, explain which deficiencies will be corrected and tell us what the long-term costs are for this project?

Commissioner Hallett: Customs has had an ongoing program to correct FMFIA deficiencies, using existing resources.

This initiative continues that work. As a result of deficiencies noted in FMFIA reviews and GAO audits, a new centralized, integrated, administrative system for accounting and logistics functions will be developed. This new modular system will be referred to as the Asset Information Management System (AIMS). Funding will provide contractor support to work on the AIMS software.

Mainframe computer capacity will be increased to accommodate AIMS in an on-line work environment which will work toward the electronic exchange of purchase orders, invoices, payments, and other administrative actions.

The request also includes 10 FTE, primarily analysts, who will be used to establish a new organization responsible for consolidating all of Customs internal control functions as well as provide support to the maintenance of the new automated financial management system and other internal control programs.

The principal areas of FMFIA deficiencies include: undeposited collections, cash reconciliation, and preparation of directives. Since the start of FY 1990, three deficiencies have been corrected and three more are anticipated to have been corrected by the end of March, leaving 21 remaining open deficiencies.

Long term plans include additional computer hardware to increase capacity, currently estimated to cost an additional $10-15 million, and continued development of AIMS.

SAN JOSE AIRPORT

Senator DeConcini: In the Fiscal Year 1990 Senate Report accompanying the Treasury Appropriations Bill the Committee directed the Customs Service to review the inspection needs at the San Jose International Airport. Have you reviewed the international traffic there and if so, what are your recommendations concerning staffing requirements?

Commissioner Hallett: We have looked into the current and projected needs at the San Jose International airport. Current international passenger traffic arrives after 9:00 p.m. and has been handled on an overtime basis by inspectors from the San Francisco International Airport. New flights, scheduled to arrive during normal business hours, will begin operation later in the Spring. To accommodate this traffic the District has hired five additional inspectors for assignment to the San Jose International Airport.

Senator DeConcini: Are there sufficient funds available in FY90 to devote additional inspectors to this airport? If not, how do you expect to respond to the increased international passengers arriving at San Jose who require Customs clearance?

Commissioner Hallett: Although there were no funds specifically earmarked for the San Jose Airport in FY 1990, Customs will provide the staffing by transferring resources within the San Francisco District.

Senator DeConcini: What levels of inspectors are included in the FY91 budget for the San Jose Airport?

Commissioner Hallett: Unfortunately, the FY 1991 budget request was prepared before the San Jose requirements were identified. As a result, there is no specific request for staffing the San Jose Airport.

ASSET SHARING 21 USC 881 SEIZURES

Senator DeConcini: What about the sharing of assets from Title 21 Seizures? What has been the Customs Experience over the past year from 881 cases?

Commissioner Hallet: Before the OLC Opinion, Customs asset sharings consisted of over 85% 21 USC 881 seizures. E.g., of seizures during FY 88, 86% of the $31.7 million in currency seizures shared with State and local law enforcement agencies were 21 USC 881 seizures.

Thus far this fiscal year, 42% of the currency seizures approved for sharing or $8.5 million of the $20.4 million, are 21 USC 881 seizures.

Senator DeConcini: What has been the impact on the Customs Forfeiture Fund?

Commissioner Hallet: Although currency seizures did increase from $165 million in FY 88, to $225 million in FY 89, we feel that an even higher value of seizures and forfeitures could have resulted if the 21 USC 881 statute was utilized.

In FY 88, 40% of the currency seized by value, or $66 million out of a total of $165 million, were 21 USC 881 seizures.

In FY 89, this ratio was lowered to 25%, or $56 million out of a total of $225 million in currency seizures. This 15% drop could have increased currency seizures for FY 89 by $33 million.

In addition to the above currency seizures for FY 89, approximately $2.5 million in currency and property was seized by DOJ under 21 USC 881, as a result of Customs investigations. Asset sharing requests have been submitted to DOJ to transfer these funds to the Customs Forfeiture Fund. Thus far none of the assets have been transferred.

The Department of Justice has recently taken, through arrest warrants in rem, $3.2 million in currency seized by Customs under 21 USC 881, from Customs custody, and put the funds under the custody of the Marshal Service. It is not known whether Customs will retain the funds for the Customs Forfeiture Fund, upon completion of the forfeiture process.

FORFEITURE FUND

Senator DeConcini: In FY 90 customs received $14.8 million, post sequester, for discretionary Forfeiture Fund activities. I am pleased to see that this account will receive level funding in FY 91. Please provide the Committee with a listing of proceeds to the Fund for FY 90 which have been shared with State and local law enforcement thus far this year. How does this sharing compare to the same period in FY 89?

Commissioner Hallet: Senator, to date in FY 1990, Customs has shared $17,222,435, with State and local governments. This included: 9 aircraft, 46 vehicles, 3 vessels, and currency. This amount is somewhat less than the same period in FY 1989.

Senator DeConcini: Have any funds been shared with the Coast Guard to date? If so, how much?

Commissioner Hallet: Thus far this fiscal year, no assets have been shared with the Coast Guard. However, on March 15, 1990, I received a memo from Captain N. T. Saunders, USCG, defining that Service's vessel requirements, and I approved his request on April 16, 1990. I am sure you are aware of the special relationship that exists between our two organizations, and the Customs Service is happy to cooperate in any way it can with the Coast Guard.

SMALL AIRPORTS

Senator DeConcini: In FY90, the Congress increased the funding for reimbursable services to small airports to $2,175,000 to provide service to an estimated 30 airports. How many airports are presently receiving reimbursable services? What are your projections by the close of the fiscal year?

Commissioner Hallett: Currently 18 airports receive this service. Applications from two additional airports are in the final review process and are expected to be approved in the near future. Service will also be established for the airport and seaport facilities on the Kenai Peninsula, Alaska. We have received inquiries which lead us to believe that as many as five additional locations may apply for this service during the current fiscal year.

Senator DeConcini: I see you expect to maintain this level of service to 30 airports in FY 91. How does the service proposed for FY 91 compare to the number of requests you have received for small airports?

Commissioner Hallett: We expect to be able to maintain an appropriate level of service with the requested resources through FY 91. We have attempted to anticipate the needs based on interest expressed in the program.

There is also a possibility of a change in status for some existing user fee airports. Allentown, Bethlehem, Easton, in Pennsylvania has applied for port of entry status, and continuation of the service at two courier hubs is in question.

Senator DeConcini: Your justification states that foreign trade zones collocated with the airports will be considered a part of the airport. How many foreign trade zones fit this profile and what requests have been received to date for the service? What are your estimates for FTZ requirements in FY 91?

Commissioner Hallett: To date, one FTZ has been activated in conjunction with a small airport (Casper, Wyoming). Approval of zone applications has been granted for Midland, Texas, and St. Paul Island, Alaska. An application is expected to be submitted by Klamath County, Oregon.

The necessary services for the FTZ are provided by the inspector assigned to the small airport. While we cannot anticipate the number of zone applications we may receive under the program, no resources will be required beyond those requested for the small airports program.

AIR PROGRAM, OPERATIONS AND MAINTENANCE

Senator DeConcini: Your total FY 1991 budget for the Air Interdiction account is $143,047,000. This amount includes an increase of $590,000 for O&M on the P-3s. Does the $590,000 include O&M funding for a third P-3 AEW which was funded in FY 1990?

Commissioner Hallett: No, since the delivery of the third P-3 AEW is not anticipated until April 1992, the O&M funding for 1991 does not include this aircraft.

AIR PROGRAM STAFFING

Senator DeConcini: You are requesting 60 additional positions in FY 91 to provide staffing for the air interdiction assets which were funded in FY 90. Last year the Committee provided funds to increase the air staffing to a level of 960. This 960 was the number given to the Subcommittee as the amount needed to fully implement the National Air Strategy and provide full staffing for 3 airplanes at each Air Branch on a 7 day by 4 basis. Are the 60 positions in FY 91 being added to the 960 level? If so, how were the 60 positions calculated in terms of the overall strategy?

Commissioner Hallett: No. The 60 additional positions for FY 91 are to help reach the level of 960 FTE which was not met in FY 90 due to the sequester and Congressionally-mandated absorptions.

CITATION PROGRAM

Senator DeConcini: Your budget also includes an additional $98,000 for the O&M costs on the Citation aircraft which are leased to the Customs Service. How many Citations are currently under lease and at what cost?

Commissioner Hallett: Four (4) Cessna Citations are currently being leased at a total cost of $206,496/month, or $2,477,952/year.

Senator DeConcini: What would it cost to purchase the leased Citations and would the purchase of these aircraft make sense from a cost-benefit standpoint?

Commissioner Hallett: The current purchase price for the four leased Citations is $5,871,350.

It would make very good sense to purchase the leased Citations. The original purchase price of $12,845,800 has been reduced by the application of purchase credits (in the amount of $6,974,450) during the lease of the aircraft.

At this time, Customs is pursuing a follow-on contract with Cessna for the continued lease (with option to purchase). By the end of FY91 and FY92, it is expected that the purchase price will be reduced to $5,448,284 and $4,360,000 respectively.

Total lease costs through January 1990, amount to $12,500,592. Failure to purchase these aircraft would result in the loss of the $6,974,450 accrued purchase credits.

OPBAT

Senator DeConcini: The former Commissioner felt that operational control of OPBAT should be transferred to Customs and handled out of the C3I in Richmond Heights, Florida. With your experience at the Embassy in the Bahamas with this program, how do you feel about switching operational control over OPBAT to Customs?

Commissioner Hallett: Our view, based on our years of experience in air interdiction, remains the same. That is, that we still support the concept of operational control of OPBAT by the C3I based on its soundness in terms of the conduct of tactical operations. We have no doubt that from the standpoint of safety and overall effectiveness, that the best tactical picture will be at C3I.

I might add, however, that during the past year operating problems between OPBAT and U.S. based assets have been minimal. In fact, we have seen an improvement both in coordination and in the area of communications.

Senator DeConcini: What would the advantages and disadvantages be?

Commissioner Hallett: The safety factor is of primary concern to us at Customs. In providing an all encompassing overview of the tactical situation, C3I would be the best provider of tactical information to include safety of flight. That advantage alone outweighs any disadvantage which may be perceived from outside observers.

Senator DeConcini: Can you tell us about the successes of OPBAT and Operation BANDIT over the past year?

Commissioner Hallett: OPBAT has curtailed the open use of the Bahamian Islands as a transshipment point for narcotics smuggled by general aviation aircraft. This has forced the smuggler to go to the more costly and riskier method operation of airdropping narcotics to waiting vessels. The exact overall statistics for OPBAT are maintained by DEA. However, since Customs is a principal in OPBANDIT, we do maintain those statistics.

Operation Bandit arrest and seizure statistics:

DESCRIPTION	FY-87	FY-88	FY-89	Cumulative FY-90
Cocaine (lbs)	3,032.4	2,560.5	8,706	1,000
Marijuana (lbs)	12,570	4,963*	950	
Aircraft	15**	12	3	1
Vessels	5	3	6	4
Arrests	29	30	18	5
Vehicles		1	1	0

---

* Includes I gallon hashish oil seized with 1,695 lbs of marijuana on April 1, 1988.

** Of the total aircraft listed as seized, four crashed and/or burned.

Senator DeConcini: Is there something additional Customs could do to make the operations more effective?

Commissioner Hallett: Short of assuming tactical command of OPBAT resources, the Customs Service is doing all it can in the air drug war in the Bahamas. In addition, the new George Town aerostat will soon be operational. This aerostat along with Grand Bahamas will provide radar surveillance coverage of most of the Bahamas.

BAHAMAS CERTIFICATION

Senator DeConcini: Do you believe the Bahamas should be certified for cooperating with the U.S. on drug control efforts for 1990?

Commissioner Hallett: Yes. Although the Bahamas remains a major transit country for cocaine and marijuana destined for the U.S., Bahamian support and participation in joint U.S./Bahamian interdiction operations demonstrates the Bahamian Government's continuing commitment to cooperation in narcotics enforcement.

In addition, the Bahamas was the first country to ratify the U.N. Convention Against Illicit Traffic in Narcotics and Psychotropic Substances. Overall, the Bahamas cocaine smuggling route has shown a significant decrease in traffic since 1987, while all other routes, specifically the Mexican land route, are experiencing dramatic increases.

Senator DeConcini: What,if any, additional steps could the Bahamians take to become more cooperative, in your view?

Commissioner Hallett: Intelligence indicates that drug traffickers are still able to buy cooperation from a number of Bahamian officials despite the fact that in 1989, two members of the Bahamian Police, Customs and Immigration services and one member of the Bahamian Defense Force were charged with drug trafficking offenses and are awaiting prosecution.

The inability of the Bahamian courts to successfully prosecute narcotics cases has been a matter of concern to U.S. enforcement agencies. In addition, once convicted, the sentences for the violators are often dramatically reduced.

Bahamians could increase efforts to achieve full operation of the aerostat at Great Exuma, including expediting efforts to make the Moss Town Airport operational. In addition, they could expedite the placement of the third aerostat at Great Inagua.

In 1989, the Bahamians appeared unwilling to support the expansion of OPBAT joint interdiction operations to include the Turks and Caicos. Demand reduction, prevention and treatment programs in the Bahamas continue to suffer from inadequate funding and direction.

RESEARCH AND DEVELOPMENT

Senator DeConcini: Are any funds included in the FY 91 budget for research and development to facilitate the examination of cargo containers? If so, how much and for what specific activities?

Commissioner Hallett: The Customs research and development budget for all drug related efforts in FY 91 is approximately $1.4 million. Of this total it is estimated that nearly $500,000 will be available for development and acquisition of technology for the examination of cargo and containers. Specific projects to be pursued include:

procurement of a prototype medium size x-ray examination system for use in container examination stations;

modification and field testing of a nuclear magnetic resonance system for examination of boxes of cut flowers and other homogeneous cargo at Miami International Airport;

modification of prototype instrument and purchase of several modified units of Naval Research Laboratory-developed antibody portable drug detection system for vapor detection in cargo containers.

Senator DeConcini: In your opinion, should Customs be provided funds to conduct a prototype pilot project on devices which make these examinations easier? If so, what would such a project cost and how long would it take to complete?

Commissioner Hallett: Yes. Depending upon the stage in the research and development cycle, prototype testing of candidate contraband detection systems must be undertaken. We have initiated procurement action for the construction of a multi-agency test facility in which many technologies, particularly in their early developmental stages, could be tested in a secured, semi-realistic environment. Testing of various technologies could occur throughout the year.

SUPPORT STAFFING

Senator DeConcini: I am hearing from various parts of the country that staffing for Entry Control is inadequate in both permanent and temporary positions. What is the reason for this staffing shortage in Entry Control and what impact is it having on Customs inspection capabilities?

Commissioner Hallett: About three years ago, Customs reorganized and standardized Entry Units under Entry Simplification. Under Entry Simplification came increasing areas of responsibility but no corresponding increases in staffing. The philosophy of previous administrations was that automation would replace people. We on the national level are holding our field units more accountable than ever before primarily due to increased automation. A prime example is the addition of our Fines, Penalties and Forfeiture (FP&F) user driven concept. Prior to automation, Entry Units did not make FP&P cases for liquidated damages. Now through automation, over 85% of liquidated damages cases are generated by Entry Units.

While we can not state that staffing shortages ~~has~~ have had an adverse impact on inspectional capabilities, other areas of commercial operations may have been left unattended to facilitate the movement of cargo. The movement of cargo is always given top priority.

Senator DeConcini: It is my understanding that there are a number of positions which have been vacant for some time and are not being filled. Can you please give me a detailed explanation of the staffing shortages in this area at ports across the country?

Commissioner Hallett: Yes, a number of positions are vacant due to recurring employee turnover. We cannot be port specific at this time as to the number of vacancies, however we are addressing the staffing problem through our Entry Simplification II project. This project will provide a staffing allocation model which will be used to ensure that Entry Units will be properly staffed to meet both current and future demands.

Senator DeConcini: If funding is an issue, what kind of additional funding is necessary to provide adequate staffing levels for Entry Control?

Commissioner Hallett: While funding may become an issue, our most immediate concern is in defining what our adequate staffing needs are in Entry Units. One of our milestones under Entry Simplification II is the "Entry Allocation Model". This is scheduled for completion in November of 1990. Upon completion of this model, a complete needs assessment will be conducted.

MEXICO

Senator DeConcini: Has the Customs Service attempted to initiate negotiations in the past year and have those attempts been rejected by Mexican officials.

Commissioner Hallett: There were numerous negotiations with Mexican officials in the past year and the meeting with Mexican Customs officials on December 12, 1989, was considered very successful.

Mexican Customs agreed to designate four or five enforcement officers to participate in a joint U.S./Mexican project in the San

Diego/Tijuana area. This test project would be aimed at developing better profiles on potential violators of Customs laws and improving the exchange of tactical enforcement information at the border.

The U.S. Customs Service has re-initiated anti-narcotics training courses with Mexico in 1989. These courses will be expanded in 1990 and a course in financial enforcement programs has been offered.

The U.S. Customs Service is pursuing an agreement with Mexico on sharing information that would assist both countries in targeting smuggling aircraft entering into either country's sovereign airspace.

The Government of Mexico has sent a delegation to attend an on-site briefing and demonstration of OPBAT and Operation Bandit. This demonstration illustrated to the Mexican officials how international joint crewing operations work while respecting the sovereignty of both countries. This could hopefully lead to the signing of a Memorandum of Understanding with the Mexican Government on joint crewing.

In February 1989, the U.S. and Mexico signed a bilateral agreement on cooperation in the fight against narcotics trafficking and drug addiction.

Senator DeConcini: Is the Customs Service involved at the present time in any type of negotiations with Mexican law enforcement or Customs officials on joint anti-drug programs.

Commissioner Hallett: On December 12, 1989, top officials of U.S. Customs and I met in Washington D.C. with top officials of the Mexican Customs Service. The Mexican Customs Service was receptive to a number of anti-drug initiatives proposed by the U.S. Customs Service.

Although the Government of Mexico continues to reject proposals for "hot pursuit" or "joint crewing," they have been receptive to our proposal to assist them in the creation of a Northern Border Response Force. Under this concept, the Mexican Attorney General would position interdiction forces at seven strategic locations along their northern border to interdict suspected drug smuggling aircraft. The U.S. Government would provide 21 transport helicopters, special tooling and maintenance support.

A meeting will also be held in the near future by experts at U.S. Customs and Mexican Customs to determine a joint course of action for customs document alignment and automated data exchange between the two services. Document alignment and automated data exchange will facilitate legitimate cargo in transit between the two countries and will make more resources available for heightened anti-narcotics efforts.

CHEMCON II

Senator DeConcini: Since 1987, I have been involved with improving our efforts in the area of chemical diversion and trafficking. The President's latest drug strategy lists the Customs Service as assisting DEA with the Chemical Diversion Program. What is the role of the Customs Service in this program?

Commissioner Hallett: Customs is working jointly now at all ports with DEA to enforce the provisions of the Chemical Diversion and Trafficking Act. We have assigned a full-time Customs Intelligence Analyst to DEA Headquarters. We have an automated interface with DEA for the identification of all exported and imported precursor and essential chemicals. This computerized interface will enable all Customs and DEA CHEMCON II users to access all chemical diversion data at any time.

We have incorporated our export enforcement of CHEMCON II into our already existing EXODUS export enforcement program. We have directed that our foreign offices work closely with their host country counterparts in the performance of pre- and post-shipment verifications relative to chemical exports from the U.S. We have assigned inspectional personnel at each port to monitor all chemical shipments.

Our enforcement strategy calls upon inspectional, intelligence, and enforcement resources of the entire Customs Service at all ports and at all foreign offices to assist DEA in the enforcement of the Chemical and Diversion and Trafficking Act.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI

BWI IMPORT SPECIALIST

Senator Mikulski: Commissioner Hallett, could you provide the subcommittee with the required traffic volume and other criteria regarding the designation of an import specialist?

Commissioner Hallett: Customs allocates its import specialists according to a staffing model which considers numerous factors in evaluating the requirements of specific locations. The model incorporates measures of workload, which consists of number of entries, types of entries, etc., current staffing, backlog, and other factors determining the need for import specialists. However, at a minimum, there must be more than 50,000 entries annually to even be considered for staffing. For locations with less than this threshold level, it would be inefficient to allocate a commodity team. Also, for Baltimore-Washington International Airport, the availability of a full complement of commodity teams within the District makes the allocation of these resources to this specific location unnecessary.

HIRING FREEZE

Senator Mikulski: The January 1, 1990 hiring freeze initiated by Customs could reduce Port of Baltimore staffing through attrition. Such a reduction would create a commercial backlog. What plans does Customs have to support staffing at the Port should the rate of attrition threaten efficient trade?

Commissioner Hallett: The conditions of the January 1, 1990 hiring freeze restricts only the hiring of Regional management positions. Regions may continue to replace field workers as they are required. Therefore there is no threat to efficient trade at Baltimore--or any other port--posed by the current hiring freeze.

EXPORTS OF DEATH

Senator Mikulski: Commissioner, as you know, 85% of all weapons seized in Colombian drug raids were traced to American manufacturing companies, Customs' efforts to curb the diversion of legitimate chemicals for drug processing have been hindered by third nation subsidiaries which trade with impunity. In light of the requests of nations involved in the drug war for U.S. action, how do you propose to deal with the flow of U.S. guns and chemicals to the cartels?

Commissioner Hallett: To my knowledge, the information that "85% of all weapons seized in Colombian drug raids were traced to American manufacturing companies" comes from two sources: 1. The testimony by Phil Orsini of ATF before the House Committee on Foreign Affairs on October 31, 1989; and 2. A "Washington Post" advertisement placed by Handgun Control on February 6, 1990 and titled "Meet a Drug Dealer's Best Friend." This statistic was apparently gleaned from an 1989 ATF analysis of 155 firearms seized from alleged drug traffickers in Colombia. While interesting, this statistic tends to present a one dimensional perspective to a complex problem. Of the 155 firearms seized, 135 or 87% were of U.S. manufacture and 20 were of foreign manufacture. The misleading point about these figures is that ATF could only successfully trace 33% of these U.S. manufactured firearms to U.S. sources. Other sources of these U.S. manufactured firearms were Ecuador, Panama, and the Government of Colombia.

Your reference to this statistic point to a critical weakness in the efforts of the Customs Service to fully evaluate and interdict the flow of weapons from the U.S. to Colombia and other drug source counties. It is unfortunate that despite much publicized reports of large weapons seizures in counties such as Colombia and Mexico, the U.S. government is forced to make analyses based upon such limited information as this 155 gun seizure list. The Customs Service has developed an aggressive export enforcement program known as "Operation EXODUS." The strategy supporting this investigation, interdiction, and international increased levels of cooperation are needed from Colombia, Mexico, and other drug sources countries. The U.S. Department of State has undertaken diplomatic efforts to increase the level of international cooperation in this area.

Recent investigations by the Customs Service have revealed that a number of weapons seized from drug traffickers in Colombia were originally exported from the agency of the Colombian government. These seizures illustrated the need for tighter internal controls on the importation of U.S. Munitions List Items by the Colombian government. The U.S. Department of State has proposed that the Colombian government endorse an MOU on the "Control of Exports of Defense Articles." To date, this Mou proposal is still under review by the Colombians.

Under the provisions of 22US2778(g)8, the Customs Service is developing procedures to screen applications for the export of U.S. Munitions List items to determine the need for further review for law enforcement concerns. As part of this procedure, the Customs Service has requested the Office of Defense Trade Controls to forward all export license applications showing end-users in Colombia and the other Andean nations for review. It is our belief that a thorough review of these license applications will enable us to identify attempt to acquire U.S. Munitions List items through false license applications and schemes for diversion.

The Customs Service maintains high levels of export enforcement activity in areas such as Miami, Los Angeles, and the Southwest Border where illegal exports to drug traffickers proliferate. These illegal exports are not limited to firearms and other U.S. Munitions List items, but include items such as currency, chemical precursors, and high include items such as currency, chemical precursors, and high technology. The seizure of these items and the prosecution of the individuals who traffick in them is fully supportive of the National Drug Control Strategy. It is hoped that additional funding allocated through the High Intensity Drug Trafficking Area initiatives will result in an increase of our export enforcement efforts.

The recent enactment of the Chemical Diversion and Trafficking Act finally gives the Customs Service the tools necessary to stop illegal export of chemicals used for drug processing from the U.S. to the cartels. We are working with DEA in this enforcement endeavor at all ports in the U.S. We have expanded our existing EXODUS enforcement program to include the enforcement of this legislation.

THE LAW ENFORCEMENT RETIREMENT BILL (S. 513)

Senator Mikulski: Last session I introduced S. 513, The Law Enforcement Retirement Bill, this Bill would allow Customs inspectors and canine enforcement officers age 50 and over who have served twenty years or more to retire.

Commissioner, do you support S. 513 for your Customs inspectors and canine enforcement officers?

Commissioner Hallett: I believe that every Customs inspection activity is essentially a law enforcement action. Unfortunately, the Office of Personnel Management Regulations definition of "Law Enforcement Officer" does not include officers whose primary duties involve inspecting for violations of law. Since the inspector's and canine enforcement officer's primary duty is to inspect for law violations, these officers cannot be administratively covered under the Special Early Retirement law.

If special legislation is enacted to include the inspector and the canine officer within the Special

Early Retirement Law, than they would be eligible for this benefit.

However, enactment of this legislation would double the agency's cost in providing retirement benefits for these officers. And, we would initially lose many of our knowledgeable and experienced inspectors and canine enforcement officers who would be forced to retire. Also, our staffing level will be significantly impacted.

Since I have not had an opportunity to fully consider the legislation, I would like to have my staff study all the issues. When the study is completed, I would appreciate the opportunity to fully brief you on our findings.

FULL TIME X-RAY VAN

Senator Mikulski: Commissioner, as you well know, currently Maryland is designated for use of an X-ray van for six months out of the year. As international trade increases, Baltimore has requested a permanent van for use at both seaports and airport.

Could you Commissioner, update this committee as to the status of that request?

Commissioner Hallett: At this time we are evaluating the utility of the X-ray vans we have throughout the country. Baltimore has made good use of the van when it has been there. To date, the personnel there have made one seizure of 47 pounds of marijuana in October of 1989 that was directly attributable to use of the X-ray van. We will continue to evaluate the performance of the vans in various locations. Due to the limit on the availability of this equipment, Baltimore will continue to share a van with other locations for the time being.

QUESTIONS SUBMITTED BY SENATOR KERREY

DRUG INTERDICTION

Senator Kerrey: Customs is the primary border enforcement agency and is in the forefront of efforts to interdict illegal drugs. The seizure statistics you cite are impressive, but a couple of questions:

(a) The supplies continue to come in despite these and other efforts. To what extent can we realistically expect to control the flow of illegal drugs into this country? To what extent can Customs have an impact on the supply?

Commissioner Hallett: In the last eight years. although interdiction efforts have increased steadily, our experiences have conclusively demonstrated that interdiction alone cannot prevent the entry of drugs or fully deter traffickers and their organizations. However, our borders must be protected and in addition to seizures, effective interdiction efforts demonstrate to foreign nations that we are committed to fighting the drug war and raises the level of risk for the drug smuggler resulting in a certain degree of deterrence. To answer your question, Customs efforts alone can have only minimal impact on drug supply without the simultaneous implementation of both foreign and domestic drug enforcement initiatives and multi-agency anti-money laundering initiatives.

(b) Philosophically, where do you see interdiction fitting into the overall strategy? What is your role and your goal in the over-all effort?

Commissioner Hallett: As detailed in the President's 1990 National Drug Control Strategy, which Customs played an active part in formulating, we see interdiction as complementing and supporting our international drug control and domestic law enforcement programs. Interdiction focuses on intercepting drug smugglers and their shipments, so that their trafficking operations can be consistently disrupted. Simultaneously, the international and domestic programs target the organizations themselves and high value drug shipments, thereby creating an integrated supply reduction program. Our role as the lead agency in interdiction and our goal is to reduce to flow of illegal drugs into this country through concerted air, marine and land interdiction programs.

DRUG STRATEGY

Senator Kerrey: Responsibility for the drug strategy has spread among a number of departments and agencies. Even the law enforcement function lies with several agencies. Customs has to some extent been viewed as the "bad boy" in this group, the somewhat uncooperative element.

(a) How do you intend to approach your work with other agencies?

(b) Even when relations are cordial between agencies, there are often problems of "command and control" when different entities are involved, especially when those entities have law enforcement responsibilities. You and I discussed briefly Operation Alliance the other day. What types of arrangements best facilitate inter-agency operations; in your opinion, are these arrangements in place.

Commissioner Hallett: If the Customs Service has been viewed by some as being the "bad boy" among drug enforcement agencies, it is only because of the aggressive and outspoken posture which the Customs Service, and in particular the former Commissioner, has taken on drug enforcement since 1982. Some background should first be provided.

In 1973, the Department of Justice assumed all responsibility for narcotics investigations and from 1973 through 1982, DEA attempted to conduct all Federal drug investigations while the drug epidemic in this country continued to escalate. With the realization that one agency could not effectively deal with this growing problem, other agencies became more involved. Since 1982, at the request of the Justice Department, Customs has become more increasingly involved in drug enforcement and since that time has been at the forefront of almost every initiative aimed at coordinating drug enforcement efforts. I believe that Customs has been and will continue to be responsible for more joint initiatives than any other agency involved in drug enforcement. Customs has been a significant participant in OCDETF since 1983, while some agencies refuse to participate unless they are the "lead" agency. In 1985, Customs established the Blue Lightning Strike Force, in 1986 Operation Alliance, in 1987, The Interdiction Committee. Now in 1990, we are establishing Operation Northstar on the Northern Border and will continue to COOPERATE with all other agencies in this drug war.

Senator Kerrey: Under Operation Guardian, National Guard units have been trained in the physical examination of cargo and have been involved in seizures in Florida and along the Southwest Border. What do you see as the role of the Guard in border efforts? Are there any activities which you would not want them involved in or for which you do not consider them appropriate?

Commissioner Hallett: In addition to their assistance in the examination of container cargo, the Guard can be utilized as our eyes and ears in many instances along the border. The National Guard cannot be involved in independent law enforcement actions as any of their activities in assisting our border efforts are limited by their lack of law enforcement authority, such as powers of arrest. Therefore, National Guard activities must only support law enforcement entities. Joint Customs/National Guard operations such as Operation OCTOBERFEST along the Southwest Border have been very successful and Customs will continue to utilize the extensive manpower resources of the National Guard Department to the fullest extent allowed.

EXPLOSIVE TRADE GROWTH

Senator Kerrey: You anticipate "another explosive growth in trade" which will increase duty collections from the almost $20 billion today to up to $40 billion in 2000. (a) What type of trade do you anticipate will account for this growth? (b) From what parts of the world do you expect it to come?

Commissioner Hallett: World trade expanded vigorously during the 1980's. According to official U.S. trade statistics, the Customs value of total U.S. imports for consumption increased by 95 percent from 1980 to 1989. For the same period, the dutiable value of imports for consumption increased 113 percent and the duty calculated on this value increased by 136 percent. Annual increases in Customs collection of import duties between 1985 and 1988 was 8.0 percent. Based upon this historical pattern, it is expected that imports will continue to grow over the next 10 years. In addition, imports duties collected by Customs will increase, despite the disintegration of many tariff and non-tariff barriers.

International trade is becoming more complex as the world moves toward greater economic interdependence. with the unprecedented political and economic changes taking place, new trading alliances are being established based on geographic proximity, perceived mutual economic interests/benefits and shared regional security concerns.

U.S. trade will increase with these regional geographic alliances rather than with the individual countries within the alliances. Trade with such as the East Asian NICs (Newly Industrialized Countries--Hong Kong, Singapore, South Korea, and Taiwan), and countries of the European Community will increase in the next decade. In addition, trade with the Soviet Union and Eastern Europe is likely to grow over the next decade. This growth will be at a slower rate, however, at least in the near term.

Trade in high tech areas such as fiber optics, HDTV, super computers, telecommunications, and semi-conductors will continue to increase. Spurred by strong domestic demand, imports of manufactured products (including capital, high tech, and consumer goods) accounted for over 80 percent of U.S. imports in 1989. Imports of manufactured products will continue to increase. In addition, U.S. Export trade in services (i.e., financial, transportation and computer services) will increase over the next ten years.

CHANGES IN EASTERN EUROPE

Senator Kerrey: One of Customs' responsibilities is to prohibit "illegal transfers of critical technology to foreign nations for the building of their military systems". How do you expect the changes in the Soviet Union and Eastern Europe to affect these efforts?

Commissioner Hallett: Based upon the Strategic Investigations Divisions case tracking system, only 13.5% of all export investigations and 6.5% of all seizures for export violations involve the Soviet Union or Soviet Bloc countries. While the relaxation of export controls to Eastern Europe of some dual use commodities may slightly reduce the numbers of investigations, the overall impact to the EXODUS program will be negligible. With the special emphasis on nuclear and missile technology, there will be increased demands upon the industrialized nations and terrorist groups will be increased demands upon the U.S. Customs Service within the next decade. Less industrialized nations and terrorist groups will continue to attempt to increase their status among the world powers by acquiring this "wave of the future" technology. Even as export controls are relaxed on some leading edge of industry will continue to be developed. The United States Customs Service will then be able to concentrate our efforts on building "higher fences" around the more significant technology.

It should be pointed out that our experience indicates that some of the most frequently used countries to divert United States controlled commodities are current COCOM members with effective export control systems. Additionally, the mercenary-type individual whose profession is to acquire and divert munitions-related technology and other controlled commodities to the highest bidder, constantly moves from country-to-country, not only to prevent detection and apprehension, but also to establish routes of least resistance for their diversion schemes. It is very probable that some of the Eastern European countries, being new to export enforcement, will be initially used as diversion points. This is especially true for the commodities that are not controlled to Eastern Europe but are controlled to other proscribed destinations.

ARMS TRAFFICKING TO SOVIET UNION AND EASTERN EUROPE

Senator Kerrey: Another Customs' responsibility is to prohibit the illegal international trafficking in arms and munitions. Again, do you see changes in the Soviet Union and Eastern Europe as having an impact on your operations in this area?

Commissioner Hallett: A review of the Strategic Investigations Division case tracking system shows only a small number of investigations relating to the illegal export of U.S. Munitions List items to the Soviet Union and Eastern Europe. To date, the political upheaval in the Soviet Union and Eastern Europe has little or no impact on our case activity. Current trends show a substantial increase in case activity relating to the illegal export of U.S. Munitions List items to the Mid-East, Latin America, and the Philippines. It is difficult to project whether an excess of military equipment caused by anticipated troop reductions in the Soviet Union and Eastern Europe will result in the diversion of this equipment to troubled areas of the world that have traditionally relied on U.S. sources.

Senator Kerrey: Do you have any indications of the extent to which this trafficking is related to illegal drug trafficking?

Commissioner Hallett: We have seen a number of instances where arms trafficking was related to illegal drug trafficking. In a recent case, a January 5, 1989 shipment of approximately 80 tons of Eastern Europe manufactrued arms and munitions were seized by Jamaican authorities in Kingston, Jamaica. The weapons were stuffed in a container which was laden aboard the M/V "Copa Cabana" in Portugal. The ship made an unscheduled stop at Kingston, Jamaica and the weapons were discovered and seized. Investigation by the SAC/Miami revealed that the weapons were intended to be delivered to Colombia for use by an insurgent group with ties to drug traffickers. As a result of the seizure, Jamaican authorities arrested three Columbian nationals, three Pan American nationals, and one British national.

Also, it is a well known fact that Cuba has serviced as both a safe haven for drug traffickers and source of Eastern Bloc arms for Latin America.

We are also very much concerned with efforts to import substandard products into the United States be means of a false description. In this regard, we have been testing fasteners and other products to ensure that American industry and the American public are not victimized by dangerous products.

Finally, I wish to note that the Customs Service has taken a strong and active role in intellectual property rights enforcement. We have initiated many investigations involving counterfeit goods, and have sought to provide enhanced protection for copyrights and trademarks recorded with Customs.

Seizure statistics for FY 89 may be categorized as follows:

False Invoice	739
Counterfeit Visa	3
Overweight (Textiles/Steel	312
Intellectual of Property Rights	487
Country of Origin Marking	709
Not Manifested	458
Other Agency	680

QUESTIONS SUBMITTED BY SENATOR DOMENICI

SALARIES AND EXPENSES

Senator Domenici: For fiscal year 1990, increased funding was appropriated for "Salaries and Expenses" of the U.S. Customs Service to fund the following initiatives: (1) $14.344 million to maintain commercial operations; (2) $28.0 million to enhance cargo container enforcement efforts; (3) $18.0 million for money laundering; (4) $13.8 million for additional air program staff; (5) up to $7 million of the Interagency Border Inspection System; and (6) $1.0 million for additional TECS II terminals.

What is the total amount of the funding shortfall for these initiatives as a result of the sequester and unfunded mandatory pay increase and benefits requirements?

How will this funding shortfall affect the amount of funding that will be available for each of the above fiscal year 1990 initiatives? Please be specific as to the amount of the reduction in funding and FTE positions for each of these initiatives from that assumed at the time of the appropriation.

Commissioner Hallett: The sequester for FY 1990 was $15,044 which was applied across-the-board to all new initiatives as well as the base programs. In addition, Customs was confronted with an absorption of the unfunded pay raise required by P.L 101-136, and higher costs for health benefits. The combined total for the absorptions and sequester was $40,344,000.

The net effect of the sequester and absorption shortfall is to reduce the funding available for programs and the new initiatives. Specifically, of the

435 FTE in the cargo container enforcement initiatives, Customs allocated 59 FTE for Canine Enforcement Teams and an additional 34 FTE for inspectors, which actually will permit the hiring of an additional 68 inspectors. With regard to the other initiatives the situation is as follows:

Air Program Staffing: In FY 1990, the Congress authorized a total increase of 149 FTE, of which 119 FTE was from the regular appropriation (P.L. 101-136) and an additional 30 FTE and $3.0 million in the Transportation Bill. At this time, Customs has allocated 55 FTE for Air Program Staffing.

Maintain Commercial Operations: The full amount of this initiative has been allocated to the Commercial Operations Program.

Money Laundering: The $18.0 million appropriated included $3.0 million for Air Program Staffing (discussed above). Of the remaining $15.0 million, Customs allocated $10.3 million for the Treasury Financial Center (FinCEN), which was approved as a reprogramming by the Congress, and the remaining $4.7 million is being used to support the Cargo Container Enforcement as Air Program Staffing initiatives.

Interagency Border Inspection System (IBIS) and TECS II Terminals: A total of $8.0 million was provided for these joint programs. Unfortunately, $1.0 million has to be used for absorptions, hence $7.0 million was made available for allocation to these programs.

Finally, Customs is making every effort to fulfill the resource requirements for these initiatives. As soon as additional resources are filled during the year, they will be allocated to the initiatives. Meanwhile, the base programs of these initiatives are redirecting their efforts to insure that Congressional objectives are fully achieved.

STAFFING

Senator Domenici: The fiscal year 1990 Treasury Postal Service and General Government Appropriations Act requires Customs to establish and maintain an average of not less than 16,976 positions in fiscal year 1990, of which a minimum level of 10,385 positions shall be allocated to commercial operations and of which a minimum level of 930 full-time equivalent positions shall be allocated to air interdiction activities. In addition, the fiscal year 1990 Transportation Appropriations Act lifted the base level of staffing for air interdiction to 960 FTE. The budget justification indicates that the additional $18.0 million supplemental for money laundering investigations funded an additional 100 FTE positions. The budget justification indicates a total position level of 16,663 FTE for fiscal year 1990, 443 FTE positions below the fiscal year 1990 funded level. Of the total FTE position level now shown for fiscal year 1990, what number of positions will be allocated for commercial operations and what level will be allocated for the air interdiction program?

Will Customs be able to establish and maintain a total FTE position level of at least 16,663 for fiscal year 1990?

Of the total FTE positions requested for fiscal year 1991, what number would be allocated for Customs commercial operations activities and what number would be allocated for Customs air interdiction program?

Commissioner Hallett: As indicated in Customs FY 1991 budget submission, our resources were impacted by the Gramm-Rudman-Hollings sequester and the statutory requirement to absorb the 3.6 percent pay raise. The net result of these actions has reduced Customs staffing to 16,663 FTE. Of this total, Customs allocated to Commercial Operations 10,158 FTE, and to the Air Program 930 FTE. We do anticipate maintaining the 16,663 FTE position level for fY 1990.

Although the submitted FY 1991 budget request identified Customs staffing level at 16,349, we now are projecting a 16,663 FTE position level, which maintains the level of the previous year. The restoration of the previously identified 314 FTE net reduction will be restored from funding transferred from the Drug Czar's Special Forfeiture Fund. There, funds will be used to restore drug enforcement related resources, which includes Air Program staffing. Therefore, we anticipate increasing Air Program staffing by the 60 FTE included for Administration in the FY 1991 budget request.

Senator Domenici: The statement of the managers accompanying the conference report on the fiscal year 1990 Treasury Postal Service and General Government Appropriations Act included a table of funded FTE positions by program category. Total FTE positions funded by the regular bill was 16,976. The Drug Supplemental included in the Transportation Appropriations Act provided funding for additional 130 FTE positions.

The fiscal year 1991 budget justification indicates that fiscal year 1990 total FTE positions will now be 16,663, 433 FTE positions below the total level funded.

Funding to restore these 443 FTE positions is not included in the fiscal year 1991 request. Furthermore, the fiscal year 1991 request proposes a further reduction of 314 positions for total reductions of 757 positions.

What additional funding would be required for fiscal year 1991 to fully restore this 757 FTE position reduction?

Commissioner Hallett: The FTE position reduction you refer to in FY 1990, resulted from the Gramm-Rudman-Hollings sequester of $15.0 million and the statutory absorption of the 3.6 percent pay raise, as well as certain benefit increases. The latter absorptions totaled $25.3 million.

For FY 1991, a significant revision is proposed for the Customs budget by the Administration, which will restore 314 FTE. Therefore, there will not be a net reduction in FTE positions in FY 1991. The Special Forfeiture Fund of the Office of the Drug Czar will contribute the $19.0 million required to reinstate the 314 drug enforcement related FTE positions.

CUSTOMS FTE POSITIONS

Senator Domenici: The Budget justification material for the Customs Service "Salaries and Expenses" account includes a table on page 44 showing the detail of permanent positions by program category. For each of fiscal years 1989, 1990, and 1991, would you please provide for the record the number of full-time equivalent (FTE) positions in each category associated with each of the following: (1) the Customs Air Program; (2) Customs Commercial Operations; (3) Customs' money laundering activities, exclusive of the proposed Financial Crimes Enforcement Network (FinCEN); (4) FinCEN; and (5) Inspection and Control.

Commissioner Hallett: The information is provided below:

	FY 1989	FY 1990	FY 1991
Air Program	775	856	911
Commercial Operations	10,416	10,158	9,879
Money Laundering (less FinCEN)	703	560	355
FinCEN	0	66	196
Inspection & Control	1,775	2,130	2,292

The Air Program FTE figures include Headquarters staffing. I should also point out that money laundering figures include the transfer of 226 FTE in FY 1990 and an additional 55 FTE in

FY 1991 to the Department of Justice for the Organized Crime Drug Enforcement Task Force (OCDETF).

Senator Domenici: For each of the employment categories on page 44 of the budget justification, please indicate the number of FTEs in each category which are associated with narcotics-related activities.

Commissioner Hallett: The attached table displays drug-related positions for each category in FY 1991.

United States Customs Service, Salaries and Expenses

DETAIL OF PERMANENT POSITIONS BY CATEGORY
(Number of Full Time Equivalent Positions)

Customs Programs	Actual 1989	Estimated 1990	Estimated 1991	1991 Drug FTE
Inspectors	5,059	5,447	5,524	1,408
I&C Program Support (Includes Aides)	820	992	962	245
Import Specialists	1,094	1,104	1,084	0
Laboratory	108	114	112	0
T&T Program Support (Includes Entry Clerks)	1,887	1,780	1,694	0
Investigations Agents	1,808	1,373	1,211	763
Investigations Program Support	309	306	363	229
Aviation Interdiction Support	742	876	854	811
Investigators/Patrol Officers	991	1,116	1,011	949
TI Program Support	73	117	115	108
Intelligence Employees	364	275	269	121
Internal Affairs Employees	254	265	281	24
Enforcement Support	345	332	326	207
Operational Support	1,016	901	895	76
Executive Direction & Control	1,036	839	824	70
Chief and Regional Counsel	115	106	104	9
Subtotal	16,021	15,943	15,629	5,020
Part-time and Temporary Full Time Equivalent Positions	685	720	720	103
Total Full Time Equivalent Positions	16,706	16,663	16,349	5,123

FISCAL YEAR 1990 DOD TRANSFER

Senator Domenici: The budget justification indicates a $2.5 million transfer of funds from the Department of Defense to the United States Customs Service in fiscal year 1990.

Has this transfer of funds been made and under what authority and for what purpose are these funds being transferred from DoD?

Commissioner Hallett: The transfer has not been made. The authority was contained in the DoD appropriations bill and the funds are to be used for a classifed project.

Senator Domenici: Under which object classification(s) of your proposed fiscal year 1990 reprogramming request is the $2.5 million in funds transferred from DoD reflected?

Commissioner Hallett: The DoD transfer is presented in object class 25, Other Services.

ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCE (OCDETF) PARTICIPATION

Senator Domenici: For fiscal year 1990, the President's Budget reflected a transfer of $14.461 million and 226 FTE's to the Organized Crime Drug Enforcement Task Force at the Department of Justice. Is the Department of Justice providing reimbursement to the Customs Service to support 226 FTE's for fiscal year, as originally assumed?

Commissioner Hallett: Yes. Customs is being reimbursed quarterly.

Senator Domenici: The fiscal year 1991 request included a transfer of $5,316,000 and 55 FTE from Customs' investigations activity to the Department of Justice Organized Crime Drug Enforcement Task Force. In accordance with the Anti-Drug Abuse Act of 1988, the Organized Crime Drug Enforcement Task Force is to be funded by Justice and Justice is to reimburse the participating agencies. Why then does the fiscal year 1991 request for Customs include additional funding for OCDETF to be transferred to Justice to reimburse Customs for increased participation in OCDETF in fiscal year 1991? Why isn't this additional funding included in the Justice Department's OCDETF request for fiscal year 1991?

Also, why isn't this increase in OCDETF funding and staffing being absorbed in Customs' investigations activity? Does this reflect the resources now being committed to OCDETF or is increased Customs participation in OCDETF being provided through a reduction in Customs other investigative resources?

Commissioner Hallett: The transfer of Customs resources to Justice for additional funding for OCDETF was an Administration decision. Customs requested additional resources through the Justice Department OCDETF budget request, but the decision was made to supply those resources by the mechanism of a transfer from Customs base. Thus, increased Customs participation in OCDETF is being provided through a reduction in Customs other investigative resources.

CONTAINERIZED CARGO EXAMINATION PROGRAM

Senator Domenici: The Fiscal Year 1990 Appropriation for the Customs Service "Salaries and Expenses" account included an additional $28 million and 550 FTE, as proposed by the President, to enhance cargo container search efforts. Are these additional funds being made available for this purpose? If not, what is the amount of the increase and number of FTE positions being provided in Fiscal Year 1990 for the Cargo Container Initiative proposed by President Bush?

Commissioner Hallett: The resources requested in FY 1990 were to enhance Customs cargo enforcement capabilities. Unfortunately, the sequester, pay raise and increased benefit cost absorption prevented Customs from fully implementing this initiative. At this time, Customs has allocated 110 positions to this specific function. We do intend to continue to allocate additional resources to this specific initiative through the remainder of the fiscal year as resources are freed up. Furthermore, with the assistance of the National Guard and some re-direction of regular on-board inspector functions, we do believe that a substantial number of additional container shipments can be searched, which enables us to at least partially meet the goals of the initiative this year.

Senator Domenici: What percentage of illegal narcotics entering the United States do you estimate come in through containerized cargo?

Commissioner Hallett: Estimates vary but assuming the 17,111 pounds of cocaine seized in containers in FY 89 is respresentative of all smuggling attempts and that overall U.S. Customs Service seized 125,000 pounds of cocaine, then about 13% entered through containers. If accurate, this was reduced significantly from FY 88 when an estimated 30% arrived by containers.

Senator Domenici: What were the total number of seizures and total number of pounds of cocaine, marijuana and hashish seized in containers and bulk cargo in FY 1989?

Commissioner Hallett: FY 1989 statistics are as follows:

10 cocaine seizures for 17,111 pounds
10 marijuana seizures for 55,570 pounds
1 hashish seizure for 450 pounds

Senator Domenici: Has the trend we witnessed in Fiscal Years 1987 and 1988 in the increased use of containerized cargo to smuggle illicit narcotics into the United States continued in Fiscal Year 1989?

Commissioner Hallett: No. As indicated above, the amounts smuggled via containers are estimated to have dropped from 30% in FY 88 to 13% in FY 89.

Senator Domenici: How extensively is the National Guard being used to increase Customs' level of examination of containerized cargo?

What National Guard support is Customs receiving in each of the four Southwest Border states?

Commissioner Hallett: The National Guard helped us increase by 44,000 the number of containers examined. There are an average of 86 National Guard personnel working with Customs in California, 36 in Arizona, and 140 in Texas. There are none working in New Mexico; however, there are plans to expand usage to New Mexico.

Senator Domenici: What percentage of all containers is Customs presently examining?

Commissioner Hallett: Through the end of FY 89, U.S. Customs Service was examining 4% of all containers.

Senator Domenici: What percentage of high-risk shipments is Customs examining?

Commissioner Hallett: For FY 89, Customs was examining 18.6% of containers arriving from source or transit countries.

Senator Domenici: To what extent does Customs utilize technological innovations such as portable contraband detectors, specialized chemicals, x-ray systems, and other specialized techniques in cargo screening?

Commissioner Hallett: U.S. Customs successfully uses x-ray technology, which offers a non-intrusive, non-destructive examination process, for detecting contraband within commercial cargo. X-ray systems are housed in mini-vans that allow mobility and consists of the most up-to-date image enhancement technology. Fiberoptic scopes are used to examine the inside of inaccessible locations like car doors and gas tanks and portable contraband detectors are used to detect differences in density behind objects like container walls.

Senator Domenici: What technological innovations to improve our cargo screening capabilities are currently being explored by Customs? How much is being spent in FY 1990 for this purpose? How much is included for this purpose in the Fiscal Year 1991 budget request?

Commissioner Hallett: Customs is exploring the development/procurement of technology in the following areas:

Procurement of a prototype medium size x-ray examination system; modification and extensive field testing of a nuclear magnetic resonance system for examination of boxes of cut flowers and other homogeneous cargo; and an antibody portable drug detection system for vapor detection in cargo containers. In FY 90, $1.6 million is being spent for research and development, and in FY 91, approximately $1.4 million is being requested for research and development efforts of which $500,000 would be available for development/procurement of technology to facilitate the examination of cargo/cargo containers.

TITLE 21 CROSS-DESIGNATIONS

Senator Domenici: The National Drug Control Strategy indicates that the DEA will expand cross-designation of U.S. Customs Service personnel over the next 18 months to give an additional 1,000 Customs agents drug investigation authority.

Would you explain the specific agreement you have reached with the DEA on cross-designation and provide a copy of the agreement for this record.

How many Customs agents are currently cross-designated.

Commissioner Hallett: On January 10, 1990, Customs, DEA, the Deputy Attorney General and the Deputy Secretary of the Treasury signed the

initial agreement for the expansion of the Title 21 cross-designation program for the Customs Service, attached for the record. Also attached is the Implementation Directive, signed by Mr. Lawn and myself on March 14, 1990. This Directive prescribes the procedures to be followed in order to ensure that the purpose and spirit of the January 10th memorandum are achieved. As of March 14, 1990, there are 239 Customs agents cross-designated with Title 21 authority.

March 14, 1990

MEMORANDUM

TO: All Drug Enforcement Administration
Special Agents in Charge

All U.S. Customs Service
Regional Commissioners (or Assistant
Regional Commissioners, Enforcement or
Special Agents in Charge, as appropriate)

FROM: John C. Lawn, Administrator
Drug Enforcement Administration

Carol Hallett, Commissioner Carol Hallett
U.S. Customs Service

SUBJ: Implementation Directive for the Establishment of
Narcotics Smuggling and Money Laundering Task Forces

On January 10, 1990, we, along with the Deputy Attorney General and the Deputy Secretary of the Treasury, signed an agreement which will increase the effectiveness of Federal narcotics enforcement.

The agreement provides for an expansion of the cross-designation process pursuant to the Attorney General's statutory authority in 21 U.S.C. 873(b) so that at least 1,000 additional Customs Agents will be cross designated in the next 18 months. The first approximately 400 Agents will be cross-designated in the immediate future. Those Agents are assigned to the five High Intensity Drug Trafficking Areas (HIDTA) as designated in the National Drug Control Strategy.

The intent of this memorandum is to prescribe the procedures to be followed in order to ensure that the purpose and spirit of the January 10 memorandum are achieved. A copy of that memorandum is attached hereto (Attachment A). This directive is effective April 1, 1990.

Attachments

I. Roles

DEA will continue to carry out its responsibprilities as mandated by the Controlled Substances Act. Customs will continue to carry out its responsibilities under their traditional variety of Acts. Additionally, cross-designated Customs Agents will conduct investigations under the Controlled Substances Act and the Controlled Substances Import and Export Act. These investigations will be restricted to drug smuggling organizations and their conspirators involved in the smuggling of contraband across U.S. international borders, and to drug money laundering organizations. This will include Customs assuming total responsibility for all Port of Entry seizures (now referred to as referrals) from point of seizure through the final judicial stage.

II. Cross-Designation Procedures (See Attachment B)

III. Establishing Task Force Areas and Groups

In the HIDTA cities of Los Angeles, Houston, Miami, New York and the Southwest Border's larger urban areas, DEA and Customs will identify groups of Agents primarily dedicated to drug smuggling and drug-related money laundering investigations which will be assigned full-time to support the task force concept. The DEA and Customs SACs will decide between themselves whether the groups should be collocated or not. Regardless, each agency will assign a minimum of one senior Special Agent to each of the other's groups.

The Southwest Border HIDTA rural posts require considerable flexibility due to a variance in the size of offices of both agencies and those locations where there is Customs but no DEA presence. SACs of those areas will determine if at least one DEA Special Agent should be assigned to the Customs unit or vice versa.

In those locations where there is Customs, but no DEA presence, the DEA SAC will identify the closest DEA point of contact. The same arrangements will follow as additional task forces are started in other areas.

IV. Part-Time Task Force Participants

Where Customs offices in task force areas do not have groups primarily dedicated specifically to the investigation of drug smuggling, cross-designated Agents will support the task force on a part-time basis. In addition, since the source of funds in financial investigations cannot always be determined at the outset of an investigation, Agents assigned to other investigative groups will provide part-time task force support. Therefore, some Customs Agents will be granted Title 21 authority, but will only use that authority when appropriate and will not be dedicated full-time to drug investigations.

V. Coordination and Supervision

A. Headquarters Coordination

The Deputy Administrator of DEA and the Deputy Commissioner of Customs will meet regularly to ensure bilateral oversight of the program at the policy level.

A Headquarters Review Team co-led by the DEA Assistant Administrator for Operations and the Customs Assistant Commissioner for Enforcement will monitor the implementation of the Agreement, develop new national-level initiatives and resolve any policy problems referred by field management. Prior to their addressing field disputes, efforts must be expended to resolve such problems at the lowest possible level by respective agency counterparts.

DEA and Customs headquarters will each assign a Special Agent supervisor in a liaison capacity for the purpose of ensuring day-to-day coordination and cooperation in investigative activities. The headquarters liaison officers will be members of the Headquarters Review Team.

B. First-Line Supervisors (RACs or Group Supervisors)

First-line supervisors of task force groups or small offices in the task force area have the primary responsibility for maintaining a continuous dialogue on drug smuggling and drug money laundering cases to ensure coordination and cooperation. Customs cross-designated first-line supervisors and counterpart DEA first-line supervisors will make Title 21 decisions appropriate to their level of authority and keep each other fully apprised of Title 21 case activity. Decisions requiring second level Customs supervisory approval will be referred to the Customs RAC/ASAC for approval and the DEA counterpart supervisor for information. If the DEA first-line supervisor has objections which cannot be resolved between the two first-line supervisors, then each ASAC and the appropriate coordinators will be so advised. If the two ASACs cannot resolve the dispute, the issue will be referred to the DEA SAC for a final Title 21 operational decision.

C. Part-Time Cross-Designated Customs Agents Supervised by Non Cross-Designated Customs Supervisors

The Title 21 investigative activity of Agents in this category will come under the cross-designated Customs supervisor in order to bring that activity within the established coordination/supervisory system.

D. Task Force Coordinators

Task force coordinators will be responsible for ensuring coordination of task force program matters between Customs and DEA field offices. The coordinators will be assigned full-time, be collocated, where practical, and report to the co-chair ASACs. The coordinators must be notified of significant drug smuggling and related money laundering activity, requests for collateral investigations, and details of unresolved operational disagreements.

VI. Investigative Matters

A. Operational Procedures

DEA Agents will operate under established DEA guidelines and procedures. Cross-designated Customs Agents will operate under Customs guidelines and procedures, so long as consistent with the Attorney General's policies and procedures.

B. Investigative Expenses

Each agency will bear its own investigative and informant expenses.

C. Access to Information Systems

Within security parameters for each data base, collocated DEA and Customs Agents will be granted access to the host agency's data base (TECS II and NADDIS).

D. Informants and Cooperative Witnesses

Informants will continue to be managed, supervised and paid by their respective agencies. Each agency's informants will routinely be debriefed by the controlling agency on matters of interest to the other agency.

E. Evidence Processing

The DEA procedures for processing of seized drug evidence will be used by cross-designated Customs Agents.

Customs "Zero Tolerance" drug seizures will not be processed through the DEA Laboratory if they do not meet local Federal District quantitative criteria for prosecution. Abandoned drug seizures by Customs, with no possibility of identifying the culpable party(ies), will not be analyzed.

All non-drug evidence requiring processing will be handled in accordance with each agency's established procedures.

F. Furnishing of Controlled Substances

Any instance of DEA or Customs furnishing drugs to violators will require advance approval of the DEA Administrator and, in the case of Customs, also the Commissioner of Customs. The term "furnish" is interpreted to cover all situations in which a violator is supplied with a controlled substance EXCEPT:

- Where the controlled substance is to be used only for flash; or
- Where it is to be supplied in a tightly controlled setting with imminent recovery through arrest.

G. Other Instances of Allowing Drugs to Leave the Government's Control

When specific information is developed by an informant or through other investigative techniques such as a court-approved electronic intercept regarding the shipment, delivery or location of controlled substances not directly controlled by the informant or undercover Agent, the respective headquarters must immediately be advised if there is not an immediate plan to seize the controlled substances. DEA or Customs may continue an investigation without seizing substantial amounts of illicit drugs only when authority is obtained from the Administrator of DEA or the Commissioner of Customs and the U.S. Attorney, as appropriate. In joint investigations, the concurrence of both headquarters will be required.

H. Reverse Operations

In reverse undercover operations wherein the display of quantities of controlled substances is required, the drugs will be obtained from a DEA regional laboratory. Approval for such activity by Customs cross-designated Agents must be obtained from both DEA and Customs SACs. Close contact and coordination between DEA and Customs, and with other Federal, state and local agencies, in these operations is mandatory in order to avoid a confrontational situation.

I. Disposition of Forfeited Assets

An agreement concerning the disposition of forfeited assets will be developed through negotiations between the Department of Justice, Department of the Treasury, Customs and DEA.

J. Coordination with other Law Enforcement Agencies

Customs cross-designated supervisors will advise their DEA counterpart supervisors of Customs interaction with state or local law enforcement agencies in connection with Title 21 drug smuggling or drug-related money laundering investigations.

K. Conduct of Collateral Investigations

When an investigation by cross-designated Customs Agents in one area requires that investigative leads be followed through a collateral investigation in another area, the following procedures will be used:

1. If there are cross-designated Customs Agents in close proximity to the second area, they will be sent the action request by appropriate means. The first-line DEA supervisor in the originating area will promptly be advised of the request and that supervisor will inform the DEA office in the second area of the request. Area coordinators will be routinely notified of collateral requests. Local coordination will follow between Customs and DEA in the second area.

2. If there are no cross-designated Customs Agents near the second area, the Customs request, passed by the originating area DEA supervisor, will be responded to by the DEA office in the second area in a prompt manner.

L. Conduct of Foreign Drug Investigations

Within the context of the National Drug Control Strategy, DEA Country Attaches will service requests for foreign investigations in Customs drug smuggling cases, but do so in close coordination, and wherever possible, with the assistance of the counterpart Customs Attache. An information copy of the request will be sent to the Customs Attache.

Investigations under the Money Laundering Control Act of 1986 (MLCA) initiated by Customs pursuant to section III.A.2. of the May 1987 Memorandum of Understanding between the Secretary of the Treasury and the Attorney General (1987 MOU) will be referred to the Customs Attache for action. An information copy of the Customs request will be sent to the DEA Country Attache.

Investigations under the MLCA initiated by a cross-designated Customs Agent, which, if conducted by a DEA Agent, would be investigated by DEA pursuant to section III.B.2. of the 1987 MOU, will be referred to the DEA Country Attache for action.

Investigations under the MLCA initiated by DEA pursuant to section III.B.2. of the 1987 MOU will be referred to the DEA Country Attache for action. An information copy of the request will be sent to the Customs Attache.

H. Reporting Investigative Results

The reporting rules of each agency will be followed throughout every task force investigation. Customs reports of investigation (CF-23) in Title 21 cases will be attached to a DEA-6 cover sheet to give DEA the necessary case classification and indexing information required to enter the information into its automated system. A DEA-202 will be completed and provided to DEA on any subject arrested by Customs for a Title 21 violation.

ATTACHMENT A

1/10/90
10:30 a.m.

Establishment of Narcotics Smuggling and Money Laundering Task Force

In order to increase the effectiveness of Federal narcotics enforcement, improve coordination of narcotics investigations, and strengthen the lead agency role of the Drug Enforcement Administration (DEA), the Department of Justice and DEA and the Department of Treasury and Customs agree to the following:

- One thousand additional Customs agents will be cross designated within 18 months. In conjunction with the next drug strategy, cross designation will be reassessed after one year. Cross designation will be made to satisfy existing and future drug smuggling and money laundering needs. These cross designations will be made both within and outside the task force structure.

- DEA and Customs will create additional Narcotics Smuggling and Money Laundering Task Forces.

- These task forces will be co-chaired by the Assistant Special Agents in Charge (ASAC's) of DEA and Customs with co-equal rights.

- Each new task force will have two full time coordinators, one from each agency who will be co-located. Their responsibilities will be to ensure proper and full coordination of all matters related to the task forces which includes seeing all notifications are made on a timely basis and that all applicable guidelines are followed. Co-location shall be encouraged where practical. If there are DEA and Customs groups in the same geographic area there will be an exchange of agents.

- Operational disputes will be resolved by the coordinators. Disputes by coordinators will be resolved by the ASAC's. ASAC disputes will be resolved by the DEA SAC.

- These task force will handle drug smuggling cases and narcotics money laundering cases initiated by Customs and selected DEA cases.

- Cross designated Customs agents shall operate under Customs guidelines and procedures, so long as consistent with the Attorney General's policies and procedures. Reporting may be done on a DEA-6 attached to the front of a Customs report.

- Cross-designation will include full and part-time Customs participants who will be cross designated with Title 21 authority to investigate drug smuggling and money laundering cases. Decisions on cross designations shall be made within 7 days from receipt of the request by DEA field management.

- Current guidelines will be used where appropriate for coordinating the participation of Customs agents at locations at which there is no DEA presence. Where ~~is~~ appropriate new guidelines will be developed. Guidelines for hand~~l~~ing off of such cases will be determined by the two agencies.

- Major cases will be referred to OCDETF as appropriate. Cases that travel between regions will be transferred as appropriate.

- The disposition of assets forfeited will be resolved through negotiations between the Departments of Justice and Treasury.

John E. Robson
DEPUTY SECRETARY OF THE
TREASURY

DEPUTY ATTORNEY GENERAL

Carol B. Hallett
COMMISSIONER OF CUSTOMS

John C. Lawn
ADMINISTRATOR OF DRUG
ENFORCEMENT ADMINISTRATION

Cross-Designation Procedures

ATTACHMENT B

1. Title 21 cross-designation may be requested by Customs for group supervisors and Special Agents assigned to groups primarily dedicated to investigation of drug smuggling, drug-related money laundering. Many Customs offices do not have groups primarily dedicated to the investigation of smuggling of one particular type of contraband, such as drugs, or to financial investigations. Where this situation exists in Customs offices located in a high-threat smuggling or money laundering area, cross-designation may be requested for those Agents who will use Title 21 authority on a part-time basis.

2. DEA and Customs SACs are expected to maintain a continuous dialogue concerning the need for cross-designated Customs Agents.

3. The Customs Special Agent in Charge (SAC) will forward a request, through the Assistant Regional Commissioner (Enforcement), to the Assistant Commissioner, Office of Enforcement, identifying the Special Agents to be cross-designated. The request should use the attached format. The region must forward the requests to headquarters within five working days after receipt. Customs headquarters must respond, via memorandum or electronic mail, within five working days of receipt.

4. After receiving approval from Customs headquarters to nominate Special Agents for cross-designation, the Customs SAC will formally request that the DEA SAC approve the names. This request will be in the same format as sent to Customs headquarters.

5. Within seven days of receipt of a cross-designation request from the Customs SAC, the DEA SAC will forward the request to DEA headquarters with either an endorsement or the specific reasons why disapproval is recommended. A copy of this transmission will be provided to the Customs SAC at the time it is sent to DEA headquarters.

6. DEA headquarters will notify Customs headquarters and the DEA SAC of approval of the request. If the request is disapproved, specific reasons must be given.

7. Cross-designation will be reviewed annually in March and those Agents requiring cross-designation will have their designations renewed on April 1 of each year.

8. As current cross-designations issued under previous procedures expire, those Customs Special Agents who still require Title 21 authority will be cross-designated pursuant to these procedures.

FILE: ENF-1-03

TO : Assistant Commissioner
Office of Enforcement

VIA : Assistant Regional Commissioner (Enforcement)
[Region]

FROM : Special Agent in Charge
[Office]

SUBJECT: Request for Title 21 Cross-designation

I plan to request Title 21 cross-designation for the following special agent. Identifying information and justification are provided below. Please indicate your approval on the signature line. I will then forward the request to the DEA SAC.

Name:

SSN:

Office:

Reason for Request:

[narrative]

APPROVALS:

Approved/Disapproved ______________________ Date __________
ARC(E)

Approved/Disapproved ______________________ Date __________
AC(E)

TITLE 21 CROSS-DESIGNATIONS

Senator Domenici: Last week, Senator Hollings held a series of oversight hearings on drug law enforcement efforts in the State of South Carolina. A chief criticism cited by South Carolina State, local and Federal law enforcement officials was the inability of Customs agents to work Title 21 drug cases unless they clearly involved importation. These officials understood that the cross-designation agreement provides a list of Customs agents who will be permitted to work drug cases without regard to importation. Have all the Customs agents stationed in Charleston been included on this list? If not, why not?

Please provide the list showing the number of Customs agents in each locality nationwide who will be cross-designated under this new agreement.

Commissioner Hallett: First, it should be noted that under the guidelines of the DEA Title 21 Cross-Designation Program, investigations conducted by cross-designated Customs agents are restricted to narcotics smuggling investigations within the border context in support of interdiction activities. Thus, drug cases investigated by even cross-designated Customs agents must be importation related.

At this time, there are no cross-designated agents in our Charleston office. I have attached the initial list of 400 Customs agents to be cross-designated under the new agreement. This list of agents is limited to Customs agents who will be supporting the designated High Intensity Drug Trafficking areas, which does not include Charleston. The list is broken down by Customs office. The list of the remaining 600 additional agents to be cross-designated is currently being developed and will be forwarded when completed. The 600 Customs agents will be deployed to those areas having the most demonstrable drug trafficking threat.

February 23, 1990

Jack

Dear ~~Mr.~~ Lawn:

Our joint Title 21 working groups have discussed the locations for the cross-designation of an initial 400 of the 1,000 additional Customs special agents. These cross-designations will be in High Intensity Drug Trafficking Areas. Based on discussions at the 2/21/90 working group meeting, enclosed is the information necessary for your office to issue the cross-designation letters.

Sincerely,

Carol

Carol Hallett

The Honorable John C. Lawn
Administrator
Drug Enforcement Administration
Washington, D.C. 20537

Enclosure

SAC, TUCSON

Name	GRADE	SSN	Office
1. Fitzgibbon, William	GS-13	270-40-8008	SAC/TU
2. Gaudioso, Giovanni	GM-14	158-46-1764	SAC/TU
3. Garten, James	GS-12	223-82-3431	SAC/TU
4. Penrod, David	GS-11	497-76-6950	SAC/TU
5. Millacci, Samuel	GM-14	219-46-5439	SAC/TU
6. Murray, Grant	GS-13	367-62-8106	SAC/TU
7. Donofrio, Michael	GS-13	110-38-9585	SAC/TU
8. McChristian, Dahl	GS-12	440-42-9808	SAC/TU
9. Applegate, Roger	GS-07	475-94-3263	SAC/TU
10. Bastyr, Robert	GS-13	468-60-4080	RAC/NG
11. Byers, Edward	GS-05	305-66-0345	RAC/NG
12. Kelley, Daniel	GS-07	526-02-6229	RAC/NG
13. Sperling, Allan	GS-05	527-35-6880	RAC/DG
14. Neeley, Terry	GS-13	549-17-3330	RAC/PX
15. Sassi, Gregory	GS-13	035-32-8311	RAC/PX
16. O'Neill, William	GS-13	205-42-8059	RAC/PX
17. Herrman, Arthur	GS-12	312-44-0809	RAC/PX

18. Mannhalter, Roger	GS-12	527-98-3070	RAC/PX
19. Tigert, Marvin	GS-12	524-96-7272	RAC/PX
20. Coulter, Judith	GS-12	198-46-3382	RAC/PX
21. McCaffrey, Thomas	GS-12	521-78-2105	RAC/PX
22. Cooper, Steve	GS-11	546-27-0190	RAC/PX
23. Atwood, Sherman	GM-14	527-74-0265	RAC/PX
24. Pinkava, Gary	GM-14	272-44-2796	RAC/PX
25. Mikol, Patricia	GS-07	204-46-0778	RAC/YU

SAC, HOUSTON

Name		Grade	SSN	Office
1.	Farley, John	GM-1811-14	464-64-5003	SAC/HO
2.	Austin, Tommy	GS-1811-13	453-56-9770	SAC/HO
3.	Rogers, Richard	GS-1811-13	518-50-0648	SAC/HO
4.	Jackson, Peter	GS-1811-12	360-36-4444	SAC/HO
5.	Lattanzi, Peter	GS-1811-12	149-50-4560	SAC/HO
6.	Singleton, Tony	GS-1811-12	463-92-3891	SAC/HO
7.	Young, Daniel	GS-1811-12	456-27-5868	SAC/HO
8.	Baker, Lee	GM-1811-14	499-48-5865	SAC/HO
9.	Stovall, Harry	GS-1811-13	452-34-8691	SAC/HO
10.	Mog, Donald	GS-1811-13	510-26-2300	SAC/HO
11.	Coleman, Alfredo	GS-1811-12	452-74-8023	SAC/HO
12.	Cooper, Michael	GS-1811-12	081-46-7390	SAC/HO
13.	Riederer, Matthew	GS-1811-07	209-52-9224	SAC/HO
14.	Gunderson, Eric	GS-1811-07	146-72-3929	SAC/HO
15.	Nungester, Don	GM-1811-13	286-36-7456	SAC/HO
16.	Gessner, Gregory	GS-1811-13	559-86-4770	SAC/HO
17.	McClary, Henry	GS-1811-12	253-76-8902	SAC/HO
18.	Loftin, Ron	GS-1811-12	464-62-0956	SAC/HO
19.	Scott, Sarah	GS-1811-12	243-90-2222	SAC/HO
20.	Riordan, Jim	GM-1811-14	575-42-2466	SAC/HO
21.	Mangle, Bob	GS-1811-13	172-36-1424	SAC/HO
22.	Cleary, Kevin	GS-1811-12	032-40-3220	SAC/HO
23.	Bowling, Allen	GS-1811-12	458-78-5911	SAC/HO
24.	Fluitt, Mark	GS-1811-11	456-35-5654	SAC/HO
25.	Muehlenweg, William	GS-1811-09	463-98-0181	SAC/HO
26.	Wooley, John	GS-1811-11	463-04-9159	SAC/HO
27.	Garner, Thomas C.	GS-1811-13	458-66-2770	SAC/HO
28.	Brooks, Nigel	GS-1811-13	267-96-3785	SAC/HO
29.	Kane, Richard	GS-1811-13	196-36-9252	SAC/HO
30.	Hilding, Randall	GS-1811-07	508-82-9114	SAC/HO
31.	Mazzili, Chuck	GS-1811-11	113-46-6242	SAC/HO
32.	Egeland, David	GS-1811-09	484-86-1067	SAC/HO
33.	Garren, Gerald	GS-1811-09	350-62-7459	SAC/HO
34.	Torpey, Scott	GS-1811-09	017-54-4838	SAC/HO
35.	Laurel, Ricardo	GS-1811-11	460-08-0013	SAC/HO
36.	Castro, Enrique	GM-1811-13	457-88-2271	RAC/GA
37.	Aguilar, Lucio	GS-1811-13	458-66-4565	RAC/GA
38.	Fears, Al	GS-1811-13	465-52-5623	RAC/GA
39.	Shelkey, Ronald	GS-1811-11	228-90-2281	RAC/GA
40.	Tarver, Edward	GS-1811-11	438-92-2989	RAC/GA
41.	Gill, Gregory	GS-1811-09	453-90-9439	RAC/GA
42.	Lorton, Dennis	GS-1811-09	318-58-7621	RAC/GA
43.	Havens, Scott	GS-1811-07	435-25-9457	RAC/GA
44.	Owens, Ralph	GS-1811-05	454-52-2132	RAC/GA
45.	Davis, William	GS-1811-09	384-72-5771	RAC/GA
46.	Caldwell, James	GM-1811-13	452-46-6900	RAC/GA
47.	Davis, John	GS-1811-09	460-02-6644	RAC/GA
48.	Carriger, David	GS-1811-11	409-06-1885	RAC/GA
49.	Sills, Jay	GS-1811-05	455-43-0082	RAC/GA

50. Beal, David	GS-1811-11	004-38-3169	RAC/GA
51. Beauchemin, Harvey	GS-1811-11	386-30-8213	RAC/GA
52. Sundholm, William	GS-1811-11	244-82-4213	RAC/GA
53. Licker, Joseph	GS-1811-09	083-40-2096	RAC/GA
54. Brock, Leo	GS-1811-09	115-34-7030	RAC/GA
55. Fredrickson, Allan	GS-1811-09	131-38-6104	RAC/GA
56. Fulton, Tim	GM-1811-13	353-32-7629	RAC/CC
57. Price, Monte	GS-1811-13	450-17-0081	RAC/CC
58. Gladden, Gregory	GS-1811-13	225-66-7529	RAC/CC
59. Riggs, James	GS-1811-11	454-04-3696	RAC/CC
60. Roddy, Thomas	GS-1811-11	457-96-8505	RAC/CC
61. Thompson, Charles	GS-1811-09	466-21-5410	RAC/CC
62. Combs, Jennifer	GS-1811-09	381-54-2617	RAC/CC
63. Masto, Michael	GS-1811-09	060-42-6645	RAC/CC
64. Pena, Alonzo	GS-1811-13	463-82-7743	RAC/CC
65. Greene, Eric	GS-1811-12	220-86-6557	RAC/CC
66. Hearn, James	GS-1811-11	575-58-9773	RAC/CC
67. Lovelace, George	GS-1811-09	462-06-9083	RAC/CC
68. McMahon, Kevin	GS-1811-09	025-46-9397	RAC/CC
69. Hodzen, Michael	GS-1811-09	385-82-9291	RAC/CC
70. Povlish, Clinton	GS-1811-07	449-02-1379	RAC/CC
71. White, Stephen	GS-1811-05	450-31-7926	RAC/CC

SAC/EL PASO

Name	Grade	SSN	Office
1. Fischer, Robert W.	GM-1811-14	490-46-5439	SAC/EP
2. Wilczewski, Michael	GM-1811-13	339-40-4567	SAC/EP
3. Estrada, Ofelia A.	GS-1884-11	461-86-5026	SAC/EP
4. Straba, James	GS-1811-13	461-86-5026	SAC/EP
5. (VACANT)	GS-1811-		SAC/EP
6. (VACANT)	GS-1811-		SAC/EP
7. (VACANT)	GS-1811-		SAC/EP
8. (VACANT)	GS-1811-		SAC/EP
9. Voliva, John D.	GM-1811-14	312-46-7162	RAC/AL
10. Stokes, James D.	GS-1811-13	285-38-3921	RAC/AL
11. Arnold, Garland A.	GS-1811-13	585-14-1408	RAC/AL
12. Olson, Ward	GS-1811-13	530-26-1901	RAC/AL
13. Reimann, Bernd	GS-1811-13	133-38-9138	RAC/AL
14. Cerda, Rene	GS-1811-13	561-62-8170	RAC/AL
15. Benavides, Hector	GS-1811-12	548-62-2259	RAC/AL
16. Vogrinec, Albert L.	GS-1811-12	529-56-9940	RAC/AL
17. Sanchez, Wilfred A.	GS-1811-11	585-58-9567	RAC/AL
18. Caudle, Kevin E.	GS-1811-11	490-62-1974	RAC/AL
19. Mole, James E.	GS-1811-09	259-58-3522	RAC/AL*
20. Jackson, Lue J.	GS-1811-09	248-58-5532	RAC/AL*
21. Bloomer, Jr., John M.	GS-1811-09	459-31-7338	RAC/AL
22. Moran, James	GS-1811-09	565-88-5646	RAC/AL
23. Andreucci, Eric P.	GS-1811-09	463-08-9562	RAC/AL
24. Mills, Eric E.	GS-1811-09	468-66-2696	RAC/AL

* Must complete special agent training.

25. Thomas, Derral M.	GS-1811-12	461-62-7248	RAC/LS
26. Hughes, James D.	GS-1811-12	454-72-8299	RAC/LS
27. Darby, James	GS-1811-13	217-44-5756	RAC/LS

SAC/SAN ANTONIO

Name	Grade	SSN	Office
1. Hailes, Herbert	GS-1811-13	458-70-8748	SAC/SA
2. Maninger, Larry	GS-1811-13	513-40-0481	SAC/SA
3. Mayer, William	GS-1811-13	160-32-5304	SAC/SA
4. Ramirez, Vicente	GS-1811-13	461-60-1017	SAC/SA
5. Ramon, Roland	GS-1811-13	463-76-1308	SAC/SA
6. Anz, Archie	GS-1811-13	459-34-9475	SAC/SA
7. Dukes, Jim	GS-1811-12	261-80-9583	SAC/SA
8. Smith, Harvey L.	GS-1811-12	124-38-0430	SAC/SA
9. Briggs, Glenn	GS-1811-12	459-70-9870	SAC/SA
10. Moore, Jack	GS-1811-12	525-70-8015	SAC/SA
11. Cisneros, Joe A.	GS-1811-12	453-92-5738	SAC/SA
12. Ramon, Ernest	GS-1811-12	450-54-4414	SAC/SA
13. Sherman, Dennis	GS-1811-09	215-58-2787	SAC/SA
14. Ruiz, David	GS-1811-09	451-98-6518	SAC/SA
15. Smartt, Azalea	GS-1811-09	409-96-0279	SAC/SA
16. Butler, Robert	GS-1811-09	467-88-6221	SAC/SA
17. Wiemers, Lonnie	GS-1811-09	462-80-5512	SAC/SA
18. Martin, Perry	GM-1811-13	453-50-6149	SAC/SA
19. Sutherland, Beau	GM-1811-14	467-72-4346	SAC/SA
20. Dracoulis, Louis	GM-1811-14	451-68-6586	SAC/SA
21. Hurst, William	GS-1811-13	459-80-0389	RAC/AU
22. Siggins, Ted	GS-1811-12	054-38-3289	RAC/AU
23. Dowell, Steven	GM-1811-13	465-66-4272	RAC/AU
24. Canant, Willie	GM-1811-13	457-60-6479	RAC/BV
25. Alderrete, Guadalupe	GM-1811-13	459-36-9570	RAC/BV
26. Flores, Juan	GM-1811-13	463-88-7529	RAC/BV
27. Covarrubias, Refugio	GM-1811-13	466-76-3241	RAC/BV
28. Dupuis, Guy	GS-1811-13	074-40-4102	RAC/BV
29. Battistelli, Michele	GS-1811-11	045-62-6607	RAC/BV
30. Lopez, Rosendo	GS-1811-12	452-84-7352	RAC/BV
31. Mares, Rodolfo	GS-1811-12	463-66-0862	RAC/BV
32. Bauer, Ramona	GS-1811-12	454-06-8388	RAC/BV
33. Espindola, Ernesto	GS-1811-12	518-58-1004	RAC/BV
34. Cacace, Alan	GS-1811-09	093-40-7005	RAC/BV
35. Hinojosa, Michael	GS-1811-09	452-13-3999	RAC/BV
36. De La Paz, Raquel	GS-1811-09	455-64-2772	RAC/BV
37. Gavito, Carlos	GS-1811-09	466-24-4041	RAC/BV
38. Gracia, Robert	GS-1811-12	461-88-9397	RAC/BV
39. Dinicola, Nicholas	GS-1811-11	083-60-7071	RAC/BV
40. DeAnda, Louis	GS-1811-09	462-06-6095	RAC/BV
41. Monks, Steven	GS-1811-09	273-66-0793	RAC/BV
42. Cota, David	GS-1811-12	527-76-5321	RAC/BV
43. Trevino, Nephtali	GS-1811-09	458-86-0585	RAC/BV
44. Salinas, Humberto	GS-1811-09	454-23-1350	RAC/BV
45. Boreaux, Bradley	GS-1811-09	449-11-7203	RAC/BV
46. Malone, James	GS-1811-09	418-02-4906	RAC/BV
47. Rahr, Harold	GS-1811-11	294-42-5333	RAC/BV
48. Waggoner, Michael	GS-1811-12	465-84-2817	RAC/BV
49. Estopinal, Richard	GS-1811-11	437-21-3555	RAC/BV
50. Hartigan, Paul	GS-1811-09	229-08-9708	RAC/BV
51. Hegmann, David	GS-1811-09	455-27-6448	RAC/BV
52. Kivlighn, Randy	GS-1811-09	444-54-3837	RAC/BV
53. Nicholson, Brock	GS-1811-11	309-82-6313	RAC/BV
54. George, Michael	GS-1811-07	382-86-2234	RAC/BV
55. Reich, Mark	GS-1811-09	124-54-7755	RAC/BV
56. Mika, Walter	GS-1811-09	335-68-2010	RAC/BV
57. Celaya, Joseph	GS-1811-11	449-06-7475	RAC/BV

58.	Bowen, Terry	GM-1811-13	457-70-9960	RAC/DR
59.	Warton, David	GM-1811-13	461-80-5619	RAC/DR
60.	Lozano, Judith	GS-1811-12	461-80-5871	RAC/DR
61.	Lozano, Roy	GS-1811-12	452-86-2609	RAC/DR
62.	McGuire, Cruz	GS-1811-09	464-54-1183	RAC/DR
63.	McBride, Robert	GS-1811-12	457-92-1336	RAC/DR
64.	McNair, James	GS-1811-12	454-74-4143	RAC/DR
65.	Evancheck, George	GS-1811-11	205-46-6809	RAC/DR
66.	Coleman, Jim	GS-1811-11	452-08-7424	RAC/DR
67.	Bowles, Tom	GS-1811-12	467-94-9986	RAC/EG
68.	Medearis, Claude	GS-1811-11	445-52-3204	RAC/EG
69.	Hammond, Warren	GS-1811-12	495-38-2894	RAC/FD
70.	Lozano, Jose	GS-1811-12	453-92-1498	RAC/FD
71.	Thornton, Douglas	GS-1811-09	315-42-1444	RAC/FD
72.	Lacy, Edgar	GS-1811-09	228-82-2952	RAC/FD
73.	Rivera, Roy	GS-1811-09	455-43-7919	RAC/FD
74.	Lynch, Ernest	GM-1811-13	572-64-7720	RAC/FD
75.	De Los Santos, Carlos	GM-1811-13	466-52-0478	RAC/LD
76.	Villarreal, Alfredo	GM_1811-14	453-74-8086	RAC/LD
77.	Torres, Ramon	GS-1811-13	585-42-4764	RAC/LD
78.	Gordon, Honora	GS-1811-11	176-54-0779	RAC/LD
79.	Simonds, Bruce	GS-1811-13	050-42-3450	RAC/LD
80.	Perales, Juanita	GS-1811-12	501-70-7556	RAC/LD
81.	Molina, Raul	GS-1811-12	455-13-2465	RAC/LD
82.	Hernandez, Jose	GS-1811-09	464-02-2270	RAC/LD
83.	Salinas, Romeo	GS-1811-09	467-94-3655	RAC/LD
84.	Wolf, Joseph	GS-1811-09	149-54-7092	RAC/LD
85.	Bowman, David	GM-1811-13	460-60-4894	RAC/MC
86.	McCorkle, James	GM-1811-13	422-58-7045	RAC/MC
87.	Funk, Andreas	GM-1811-13	512-52-4156	RAC/MC
88.	DeMichele, Thomas	GS-1811-13	114-40-7540	RAC/MC
89.	Cardenas, Raul	GS-1811-13	465-21-8198	RAC/MC
90.	Garcia, Thomas	GS-1811-12	467-76-1437	RAC/MC
91.	LeBlanc, William	GS-1811-12	465-68-3989	RAC/MC
92.	Montoya, Mario	GS-1811-11	467-40-1455	RAC/MC
93.	Ochoa, Maria	GS-1811-12	565-84-2583	RAC/MC
94.	Perpetua, Romy	GS-1811-12	571-56-5040	RAC/MC
95.	Gonzales, Armando	GS-1811-12	450-92-1610	RAC/MC
96.	Lawson, James	GS-1811-09	308-64-7299	RAC/MC
97.	Walker, John	GS-1811-09	463-94-9185	RAC/MC
98.	Johnson, Joel	GS-1811-12	460-94-0561	RAC/SG
99.	Larkin, Jack	GS-1811-12	209-28-5057	RAC/SG
100.	Butler, Michael	GS-1811-09	059-46-9571	RAC/SG
101.	Hutchinson, Robert	GS-1811-09	221-32-7655	RAC/SG
102.	Jeter, Kevin	GS-1811-09	454-19-2448	RAC/SG
103.	Hipelius, Thomàs	GS-1811-09	346-60-4542	RAC/SG
104.	Fiveash, Roy	GM-1811-13	456-92-8732	RAC/SG

SAC/SAN DIEGO

Name		Grade	SSN	Office
1.	Bean, Barry Dean	GS-1811-09	576-68-7504	SAC/SD
2.	Sanchez, Victor M.	GS-1811-09	547-60-8062	SAC/SD
3.	Curtin, Mark William	GS-1811-07	030-50-8027	SAC/SD
4.	Roberts, Phillip W.	GM-1811-13	552-66-8336	SAC/SD
5.	Letourneau, Daniel H.	GS-1811-13	118-42-8659	SAC/SD
6.	Nehls, David S.	GS-1811-12	344-38-2404	SAC/SD
7.	Krahn, Richard D.	GS-1811-12	571-84-9252	SAC/SD

8.	MaFong, Edward	GS-1811-07	562-78-6669	SAC/SD
9.	Giannantonio, Lori	GS-1811-07	149-54-3744	SAC/SD
10.	Tollefson, Terri L.	GS-1811-13	585-94-3373	SAC/SD
11.	Aarons, Roger L.	GS-1811-07	577-02-7425	SAC/SD
12.	Hall-Marwood, Frank	GS-1811-12	441-50-3771	SAC/SD
13.	Weist, Gregory L.	GS-1811-11	220-92-8034	SAC/SD
14.	Medina, Richard R.	GS-1811-12	546-66-3777	SAC/SD
15.	Powell, Rick L.	GM-1811-13	341-38-4131	SAC/SD
16.	Daniels, Timothy L.	GS-1811-12	544-64-1558	SAC/SD
17.	Eoff, David G.	GS-1811-12	307-72-9414	SAC/SD
18.	Hastie, Robert	GS-1811-09	157-40-7129	SAC/SD
19.	Phillips, Gary	GS-1811-09	387-74-1319	SAC/SD
20.	Rivera, Alonza R.	GS-1811-09	571-52-7370	SAC/SD
21.	McClintock, David L.	GM-1811-13	599-74-5591	SAC/SD
22.	Schoerner, Richard T.	GS-1811-12	036-30-0897	SAC/SD
23.	Bechtold, Ronald D.	GS-1811-12	560-72-1681	SAC/SD
24.	Brien, Thomas R.	GS-1811-12	039-34-5245	SAC/SD
25.	Slavik, Gordon R.	GS-1811-12	556-78-7954	SAC/SD
26.	Bernard, Ricky J.	GS-1811-12	563-80-3382	SAC/SD
27.	Fanter, Stephen A.	GS-1811-12	361-36-9774	SAC/SD
28.	Robles, Joseph A.	GM-1811-14	101-40-3092	SAC/SD
29.	Segovia, Jose G.	GS-1811-13	455-74-7636	SAC/SD
30.	Claborn, Robert	GS-1811-13	564-35-7963	SAC/SD
31.	Welker, Judith A.	GS-1811-13	516-50-9932	SAC/SD
32.	Rechcigl, Suzanne V.	GS-1811-09	102-50-3663	SAC/SD
33.	Johnson, Curtis R.	GS-1811-11	563-80-4154	SAC/SD
34.	Evaro, Kathy A.	GS-1811-11	520-82-1064	SAC/SD
35.	Lahmann, Theodore	GS-1811-12	547-72-5396	SAC/SD
36.	Prentice, Carolyn	GS-1811-11	290-62-7824	SAC/SD
37.	Mansano, Sonny D.	GS-1811-12	124-44-4183	SAC/SD
38.	Perez, Steven M.	GS-1811-11	568-37-0415	SAC/SD
39.	Woods, Jeffrey W.	GS-1811-09	558-23-6954	RAC/SY
40.	McDermott, Robert	GS-1811-13	032-30-9802	RAC/SY
41.	Hillman, Dale E.	GS-1811-12	481-72-5301	RAC/SY
42.	Williams, Derrick	GS-1811-05	571-31-6827	RAC/SY
43.	Bench, Bradford A.	GS-1811-05	528-31-3327	RAC/SY
44.	Hughes, David A.	GS-1811-12	361-48-0592	RAC/OS
45.	Matteson, Fred N.	GM-1811-13	559-48-5297	RAC/OS
46.	McMaster, Alan B.	GS-1811-12	530-32-2619	RAC/OS
47.	Herrod, David M.	GS-1811-09	375-68-7114	RAC/OS
48.	Powell, Susan J.	GS-1811-07	371-90-0452	RAC/OS
49.	Cypher, Douglas A.	GS-1811-09	163-48-7815	RAC/OS
50.	Arizaga, Steve	GM-1811-13	571-84-8482	RAC/CA
51.	Jefferson, Larry	GS-1811-12	443-48-4868	RAC/CA
52.	Martin, Allen	GS-1811-09	546-50-1628	RAC/CA
53.	Sanden, Glen	GS-1811-09	107-24-4515	RAC/CA
54.	Grossman, Michael	GS-1811-09	556-66-5210	RAC/CA
55.	Halcon, George	GS-1811-12	546-70-1391	RAC/CA

SAC/LOS ANGELES

Name		Grade	SSN	Office
1.	Brown, Loraine, E.	GM-1811-13	569-08-5037	SAC/LA
2.	Mesa, Lorenzo P.	GS-1811-13	267-29-3593	SAC/LA
3.	Crotty, Thomas	GS-1811-12	038-30-8739	SAC/LA
4.	Redfearn, Sandra	GS-1811-11	570-35-3584	SAC/LA
5.	Mullem, John P.	GS-1811-12	108-42-4972	SAC/LA
6.	Hoffman, Judy	GS-1811-12	566-70-2973	SAC/LA
7.	Fuentes, Alicia	GS-1811-12	551-92-8955	SAC/LA
8.	Farabee, Kerry	GS-1811-12	549-31-4396	SAC/LA
9.	Ibarra, Jesse	GS-1811-13	554-78-3473	SAC/LA

10.	Schank, Thomas A.	GS-1811-12	565-66-8404	SAC/LA
11.	Walsh, Frederick	GM-1811-13	038-38-1882	SAC/LA
12.	Jordan, Jeffrey	GS-1811-12	535-50-0055	SAC/LA
13.	Taylor, Seth T.	GS-1811-11	019-42-1056	SAC/LA
14.	Matthews, Jeffrey	GS-1811-09	573-43-5373	SAC/LA
15.	Dolan Daniel J.	GS-1811-12	059-36-4957	SAC/LA
16.	Pettibone, Harry	GS-1811-07	545-02-7275	SAC/LA
17.	Peters, David J.	GS-1811-13	568-94-7949	SAC/LA
18.	Knava, Vladimar	GS-1811-11	567-84-6167	SAC/LA
19.	Buschini, Brian	GS-1811-09	533-62-8882	SAC/LA
20.	Richardson, Glen	GS-1811-12	569-60-7363	SAC/LA
21.	Milan, Conrad	GS-1811-13	550-76-7277	SAC/LA
22.	Nunn, Sandra G.	GS-1811-07	546-33-3414	SAC/LA
23.	Kretaschmar, Mary	GS-1811-11	563-76-9796	SAC/LA
24.	Tearjen, Gregory	GS-1811-12	568-76-9798	SAC/LA
25.	Callahan, David	GS-1811-13	033-48-2126	SAC/LA
26.	Casas, Richard	GS-1811-12	561-92-5390	SAC/LA
27.	Gibson, Lynn	GS-1811-12	571-96-2621	SAC/LA
28.	Watkins, Johnie	GM-1811-13	550-56-3582	RAC/RV
29.	Perbetsky, Michael	GM-1811-13	569-6-9978	RAC/RV
30.	Brooks, Patricia	GS-1811-11	526-81-5802	RAC/RV
31.	Gervacio, Alfred	GS-1811-12	562-62-2613	RAC/RV
32.	Moloian, Lillian	GS-1811-12	545-06-0637	RAC/RV
33.	Johnson, Perry	GS-1881-11	402-86-3635	RAC/RV
34.	Fitzgerald, Darlene	GS-1811-07	405-08-4455	RAC/RV
35.	Jones, Richard D.	GS-1811-13	571-78-7677	RAC/RV
36.	Case, David	GS-1811-12	573-38-1563	RAC/RV
37.	Herrington, Pamela	GS-1811-09	569-90-4871	RAC/RV
38.	Alexander, Stephen	GS-1811-12	551-76-8836	RAC/RV
39.	Duarte, Serge S.	GS-1811-11	571-72-4920	RAC/RV
40.	Peters, David L.	GS-1811-09	200-46-3605	RAC/RV
41.	Doody, Alan J.	GM-1811-14	028-46-0840	RAC/LX
42.	Bammer, William	GM-1811-13	507=44=9307	RAC/LX
43.	Martinez, Jr. John	GM-1811-13	131-36-9946	RAC/LX
44.	Baird, Pamela J.	GS-1811-13	569-62-6532	RAC/LX
45.	Wood, D. Lynn	GS-1811-12	546-72-5021	RAC/LX
46.	Mork, Thomas E.	GS-1811-12	570-72-6010	RAC/LX
47.	Littleton, Anne	GS-1811-12	548-96-3758	RAC/LX
48.	Siebert, William	GS-1811-12	132-50-9626	RAC/LX
49.	Janetsky, Kenneth	GS-1811-09	556-15-5385	RAC/LX
50.	Thompson, Peter	GS-1811-11	554-37-8596	RAC/LX
51.	Gillespie, Kenneth	GS-1811-09	442-60-0243	RAC/LX
52.	Reid, William	GS-1811-11	110-42-4871	RAC/LX
53.	Deaven, Jerome H.	GS-1811-09	376-88-1977	RAC/LX
54.	Thomas, Jane M.	GS-1811-09	545-39-5123	RAC/LX
55.	Lowery, Gene D.	GS-1811-13	550-19-5768	RAC/LX
56.	Dumas, Stephen F.	GS-1811-12	029-38-5612	RAC/LX
57.	DiCiurcio, Stephen	GS-1811-12	140-56-5524	RAC/LX
58.	Hale, John W.	GS-1811-12	332-38-2793	RAC/LX
59.	Smith, Scott A.	GS-1811-11	552-31-5969	RAC/LX
60.	Hancock, John J.	GS-1811-09	472-70-5708	RAC/LX
61.	Ghio, Fred A.	GM-1811-13	551-28-4315	RAC/LX
62.	Intinarelli, Gary	GS-1811-13	532-54-6190	RAC/OR
63.	Kratzer, Wayne	GS-1811-12	515-34-3833	RAC/OR
64.	Will, Gary J.	GS-1811-12	262-21-8789	RAC/OR
65.	Dosil, Santiago	GS-1811-12	158-42-3977	RAC/OR
66.	McMillan, Rex R.	GS-1811-12	562-58-3987	RAC/OR
67.	Staudinger, Rodney	GS-1811-12	536-54-8170	RAC/OR
68.	Queen, Cari Arn	GS-1811-12	557-31-4219	RAC/OR

69. Seddon, Jon	GS-1811-12	337-42-1223	RAC/OX
70. Czyrklie, Robert	GS-1811-13	012-46-0165	RAC/OX
71. Kempton, E. Wayne	GS-1811-12	320-42-8880	RAC/OX
72. Casey, Robert	GS-1811-12	560-72-9778	RAC/OX
73. Derenthal, James	GS-1811-12	082-50-7573	RAC/OX
74. Brock, Jill	GS-1811-07	384-84-5525	RAC/OX

SAC/NEW YORK

Name	Grade	SSN	Office
1. Gloria, Joseph	GS-1811-14	084-42-1597	SAC/NY
2. Kadluboski, Linda	GS-1811-13	104-52-7206	SAC/NY
3. McCrossen, Robert	GS-1811-13	051-40-0070	SAC/NY
4. Lopez, Dominick	GS-1811-13	055-58-2345	SAC/NY
5. Pecou, Enrique	GS-1811-12	088-36-6514	SAC/NY
6. Cannizzo, Enzo	GS-1811-12	080-42-6072	SAC/NY
7. Sullivan, Patrick	GS-1811-11	081-46-6952	SAC/NY
8. Ammirati, Christopher	GS-1811-09	123-64-6912	SAC/NY
9. Henderson, Joseph	GS-1811-14	058-42-2252	SAC/NY
10. Chen, Paul	GS-1811-13	066-44-6159	SAC/NY
11. DelCasino, Stephen	GS-1811-13	069-46-8216	SAC/NY
12. Dallesandro, Richard	GS-1811-13	127-44-4168	SAC/NY
13. Chow, Frederick	GS-1811-12	118-38-0563	SAC/NY
14. Smith, Kevin	GS-1811-12	059-50-3500	SAC/NY
15. Chan, David	GS-1811-09	114-42-6636	SAC/NY
16. Papure, Gail	GS-1811-12	071-48-8463	SAC/NY
17. Dempsey, Edward	GS-1811-14	111-34-9511	SAC/NY
18. Loo, Douglas	GS-1811-13	118-38-8050	SAC/NY
19. McNamara, Roseanne	GS-1811-13	092-38-7193	SAC/NY
20. Pastore, John	GS-1811-13	088-36-1377	SAC/NY
21. Kastava, Paul	GS-1811-12	081-46-2894	SAC/NY
22. O'Brien, Michael	GS-1811-12	095-54-4400	SAC/NY

SAC/MIAMI

Name	Grade	SSN	Office
1. Anaipakos, George	GS-1811-13	132-40-0018	SAC/MI
2. Crowely, Kevin	GS-1811-12	027-52-8527	SAC/MI
3. Ford, Edson	GS-1811-13	072-38-0105	SAC/MI
4. Gaul, Kenneth	GS-1811-11	265-73-7505	SAC/MI
5. Grimal, Paul	GS-1811-12	261-17-8991	SAC/MI
6. Jordan, Percival	GS-1811-12	218-78-2757	SAC/MI
7. Leary, Matthew	GS-1811-11	134-52-3389	SAC/MI
8. Olive, Patrick	GS-1811-12	580-05-7105	SAC/MI
9. Romanoff, Brad	GS-1811-13	057-50-5207	SAC/MI
10. Shewmake, Todd	GS-1811-11	423-98-7066	SAC/MI
11. Girard, Peter G.	GM-1811-14	118-40-3869	SAC/MI
12. Alonso, Alexander	GS-1811-11	261-63-6194	SAC/MI
13. Maschi, John A.	GS-1811-12	131-44-1935	SAC/MI
14. Doimeadios, Pedro L.	GS-1811-12	262-21-7535	SAC/MI
15. Gonzalez, Domingo	GS-1811-11	581-55-3430	SAC/MI
16. Arzola, Paul	GS-1811-12	584-92-1289	SAC/MI
17. Trotto, Thomas L.	GS-1811-09	262-33-0950	SAC/MI
18. Atwood, David	GS-1811-12	028-36-6584	SAC/MI
19. Kacerosky, Edward	GS-1811-13	095-50-6165	SAC/MI
20. Sonn, Miles	GS-1811-12	065-40-4737	SAC/Mi
21. Velez, Carlos	GS-1811-12	079-52-0390	SAC/MI
22. Fortman, Dan	GS-1811-12	435-96-0795	SAC/MI

CHEMCOM II

Senator Domenici: The National Drug Control Policy Strategy indicates that an initial Customs-DEA Program, Operation CHEMCOM, was established at four high-risk ports and will be expanded to include all domestic ports of entry. When was Operation CHEMCON initiated? What funding and FTE will be required to expand this operation to all domestic ports of entry? Is this funding included in the FY 1991 budget request?

Commissioner Hallett: CHEMCON started on May 16, 1988. The objectives of this operation were as follows:

(1) to identify shipments of precursor and essential chemicals that were originating from and/or transiting major chemical ports in the United States to Central and South America.

(2) to determine what portion of these exported chemicals were being illegally diverted to clandestine narcotics laboratories in this Andean Region.

The major ports that participated in this operation were Houston, Miami, New Orleans, and Newark.

Data from this operation laid the ground work for the implementation of the Chemical Diversion and Trafficking Act of 1988.

This initiative lead to the seizure of 168,000 pounds of acetone located in five (5) sea containers scheduled for export from Miami to Colombia. These containers were scheduled for bogus consignees in Colombia. Although the Chemical Diversion and Trafficking Act was not in effect at this time, Customs was able to seize this shipment based on the presentation of false documentation to Customs.

No additional funding or FTE will be required by Customs for this program. We will internally reprogram our existing resources.

FINES, PENALTIES, AND FORFEITURES BACKLOG

Senator Domenici: What backlogs are you currently facing in the Fines, Penalties, and Forfeitures Program?

Commissioner Hallett: Our Fines, Penalties, and Forfeitures Program has improved dramatically over the past 3 years. The allocation of 99 additional positions servicewide in FY 88-89, more and better training courses for our FP&F specialists, additional equipment, improvements in our automated tracking system, and aggressive support and oversight at the national level have combined to reduce case processing times, backlogs, and delinquent cases.

In FY 89, Customs closed 156,484 FP&F cases while opening 150,037 cases, indicating a significant reduction in the number of open cases awaiting settlement. The average time for processing cases declined significantly in most districts. Our surety and principal sanctioning program aimed at securing payment on delinquent liquidated damages cases has resulted in a 50 percent reduction in the number of cases which have passed through the billing cycle without settlement.

There are currently approximately 80,000 open cases nationwide in our FP&F inventory. We are up to date in processing these open cases in most districts, but in 11 districts there are delays in processing beyond our national norms due to the case load and a need for additional personnel.

AUTOMATED COMMERCIAL SYSTEMS (ACS)

Senator Domenici: The budget justification indicates that the Automated Manifest System (AMS) is currently in a pilot test at JFK airport and that this system will be expanded to all automated carriers in 1990 and 1991. Has the pilot test proven successful thus far?

Commissioner Hallett: Yes, as reported by both on-site personnel and carriers from the very first day.

OTHER

Senator Domenici: Which areas of Customs Commercial Operations are being studied for contracting-out for services. What areas have been the subject of A-76 savings in the past? Which activities have been contracted out as a result of these completed studies?

Commissioner Hallett: Customs completed its scheduled review of A-76 functions in FY 1986. Since then, contracts have been issued or reissued outside of the purview of the A-76 program. Because of that, Customs does not have any way of capturing data on the FTE or dollar savings achieved from contracting out. One example of activities contracted out is that about 50% of our field data entry support has been contracted out, in many cases in small contracts of 10 or fewer FTE. Customs also has contracted out for services such as: ADP hardware and software; automotive, vessel, radar, and aircraft maintenance and repair; maintenance/storage/disposition of the forfeited, seized property inventory; cartage; employee counseling; messenger services; guard services; architecture/engineering services; drug screening; portions of background investigations; certain types of training; and certain aspects of procurement support.

Senator Domenici: Are the A-76 savings assumed in the FY 1991 request the result of studies completed or yet to be done? What activities are assumed to be contracted?

Is the savings assumed net of the cost of the contract? What are the costs of the contract assumed? How did you calculate a reduction of 98 FTE positions from A-76 savings?

Commissioner Hallett: The estimates for A-76 savings are calculated by OMB for each agency in each department. It is our understanding that in the OMB methodology, they assume a savings rate based on past experiences in the Defense Department. For the 1991 estimate, studies are yet to be done and the areas to be studied have not yet been decided. Savings are assumed to be net of the cost of the contract.

FY 1991 SUPPORT TO EL PASO INTELLIGENCE CENTER AND TO THE NATIONAL DRUG INTELLIGENCE CENTER

Senator Domenici: The budget justification indicates that Customs is providing support to the El Paso Intelligence Center and to the National Drug Intelligence Center in fiscal year 1991. What level of funding and number of FTE is assumed for each of these activities in the fiscal year 1991 Customs budget?

Commissioner Hallett: Customs support to the El Paso Intelligence Center for the Office of Intelligence and the Southwest Region will be operating with an FTE of 28 to 32. Salary expenses involving overtime, holiday pay, night differential, and Sunday premium will cost approximately $58,000. Other operational costs are estimated at approximately $42,000.

Since the National Drug Intelligence Center is still in the developmental stages, the level of participation at this time is undetermined.

Customs FY-90 Research and Development Expenditures

Senator Domenici: The fiscal year 1990 appropriation act earmarks up to $4 million for research, to remain available until expended. Is the full $4 million being allocated for research in fiscal year 1990? What is the total amount of funding currently obligated by the end of Fiscal Year 1990.

Commissioner Hallett: The Office of Enforcement, Research and Development Division has been allocated total $4 million discretionary funds appropriated in FY 90 for research and development projects. These funds are being directed in the design and testing of various systems and concepts to detect drug contraband in cargo containers and body carriers and to further enhance our sensor and taggant capabilities.

Historically, the Research and Development Division's annual budget has been approximately $800,000. However, the total operating budget for this year is $700,000 of which $150,000 to $200,000 is available for research and development programs. The discretionary funds of $4 million plus the $700,000 operating funds will be obligated in this fiscal year.

CUSTOMS RESEARCH AGENDA THROUGH FY-91

Senator Domenici: What is Customs research agenda through fiscal year 1991? Please provide a list of all projects, including a brief description, the amount of funding required and currently available, and the initiation and expected completion date of each

Commissioner Hallett: In FY 90 Customs total Research and Development Division commitment is $4.2 million. While our research agenda far exceeds the available funds, worthwhile projects proposed for funding are shown on the attached pages.

Title	Brief Description	Funding Required	Funding Available	Initiation Date	Completion Date
Electronic Identification Tag Project	Two way satellite base tag for position location data.	$ 4.7M	$3.0M	FY-86	October '91
Magnetic Detection of Currency	Proof of concept has been demonstrated. This effort will develop a real-time, handheld, wand-like prototype for detecting currency in baggage or cargo.	$250,000	0	FY-88	-
Portable Contraband Detectors (Low Radioactive Source)	A continuing effort. If prototype to be delivered in April works, this amount will fund purchases of several pre-production models.	$ 50,000	0	FY-89	-
Mobile X-ray System "Ad-On" Feature	A "to be shared" project with FAA. A proprietary technology in which the system learns density information for automated difference alarm for homogeneous cargo.	$100,000	0	-	-
Automated License Plate Reader	Field test of a day time system conducted March 12-26, 1990. If successful next step is to interface with TECS and to develop both day and night capability.	$275,000	0	-	-
Laser Rangefinder Improvements	Five pre-production prototype instruments developed. Field tests indicated addition of automatic reflectivity compensation, weight reduction and addition of exterior battery recharge port would greatly improve field acceptability.	$150,000	0	-	-

Title	Brief Description	Funding Required	Funding Available	Initiation Date	Completion Date
Nuclear Magnetic Resonance for Automatic Inspection of Letter Mail for Heroin and Cocaine	Development of a Pre-Production Prototype is 6 months from completion. Effort is 75% complete.	$100,000	$100,000	FY-88	September '90
Biological Antibodies for Detection of Drug Vapors	A continuing effort. Have developed cocaine antibodies. Now working on heroin antibodies and combined drug detection device.	$450,000	$450,000	FY-89	March '91
Completion of Development: Test and Evaluation of Vapor Pre-concentration Technique	A continuing project. Effort to data has improved drug vapor detectability by 100 times.	$ 20,000	$ 20,000	FY-88	September'90
Vapor Preconcentration for Drugs	A continuing research and development effort by National Laboratory. If successful, could improve drug detectability by several thousand times.	$140,000	$140,000	FY-88	March '91
Energy Dispersive X-ray Detection System	A proof of concept effort to determine if the crystalline structure of cocaine and heroin will scatter specific wavelength X-rays at specific angles thereby providing a unique detection signature.	$261,010	$261,010	FY-90	September '91
Pulsed Fast Neutron System for Detection of Drugs in Containers	A proof of concept effort to determine if fast neutrons colliding with drug molecules will provide unique signals which identify the drugs and announce the presence of the narcotics. Time-of-Flight measurements will provide three dimensional information on the position of the drugs.	$301,051	$301,051	FY-90	March '91

Title	Brief Description	Funding Required	Funding Available	Initiation Date	Completion Date
Vapor Detection of Currency	This effort will establish proof of concept for development of a vapor detector for currency. Vendor has done much preliminary work on his own.	$150,000	0	-	-
Purchase/Evaluation of a Fixed Site, Intermediate Cargo X-ray Inspection System	Several cargo examination stations (in different cities) have expressed requirements for fixed site X-ray capability to X-ray larger size cargo than can be handled by mobile X-ray equipment.	$120,000	0	-	-
Antibody Drug Detection Using Fiberoptics	An alternative approach to using biological antibodies for drug detection. Vendor is using own funds at this time for proving concept.	$100,000	0	-	-

NEW MEXICO PORTS OF ENTRY

Senator Domenici: Would you please provide for the record the number of pedestrian, vehicle and truck crossings and imports/exports between the U.S. and Mexico through both the Columbus and Anapra, New Mexico, ports of entry in 1989?

Commissioner Hallett: At this time there is no port of entry at Anapra. The workload at Columbus during FY 1989 was as follows:

Pedestrians	35,463
Persons (total)	541,161
Trucks	1,783
Private Vehicles	181,527
Import shipments	1,316
Export shipments	1,898

Senator Domenici: What is your current staffing level at the Columbus, New Mexico, border station? Is this staffing level adequate?

Commissioner Hallett: There are 13 inspectors and 3 canine officers assigned to the port of Columbus. We believe that this resource level can efficiently process the current workload.

DRUG-RELATED ARRESTS IN NEW MEXICO

Senator Domenici: What were the number of drug-related arrests, indictments, and convictions in New Mexico in Fiscal Year 1989?

Commissioner Hallett: In FY 1989, Customs arrested 72 individuals at New Mexico ports of entry. Since Customs drug arrests are normally turned over to DEA, state, or local authorities for investigation and prosecution, we do not have indictment and conviction statistics.

SEIZURES IN NEW MEXICO

Senator Domenici: What number (or amount) of vehicles, aircraft, currency, and drugs were seized in New Mexico in Fiscal Year 1989?

Commissioner Hallett: In FY 1989, the Customs service seized 249 motor vehicles and 5 aircraft. Currency seized amounted to $290,000. Nearly 437 pounds of cocaine, 13,867 pounds of marijuana, and 209,295 dosage units of other drugs were seized at ports of entry in New Mexico in FY

1989. Customs recorded no seizures of heroin, morphine, opium, or hashish in New Mexico in FY 1989.

NEW MEXICO STATE ASSET SHARING

Senator Domenici: What assets and equipment did Customs transfer to New Mexico State and local law enforcement agencies in each of Fiscal Years 1988 and 1989 to date.

Commissioner Hallett: During Fiscal Year 1988 Customs transferred one aircraft having an appraised value of $70,000 to local governments in New Mexico. In Fiscal Year 1989, Customs has shared $20,000 in currency with the Luma County Sheriff's Office, and vehicles having a total value of $13,875, with other New Mexico counties.

NARCOTICS THREAT IN NEW MEXICO

Senator Domenici: What is your latest assessment of the narcotics threat in the state of New Mexico?

Commissioner Hallett: The Customs Service sees the drug threat to the state of New Mexico as one of transit. Most of the drugs entering New Mexico are smuggled through the port of El Paso from Mexico and transit the state on the way to the major consumer markets and distribution centers of Los Angeles and Chicago.

OPERATION EXODUS IN NEW MEXICO

Senator Domenici: New Mexico is home to a number of high-tech defense related establishments. This would indicate a potential for theft of strategic materials and technology. Given this, has New Mexico been a focus of Operation EXODUS?

Commissioner Hallett: Up to one hundred firms in New Mexico have been identified as being of potential interest to the EXODUS program. Since 1983, industry outreach presentations have been made by Customs personnel to the majority of these firms.

The office has close working relationships with other state, local, and Federal agencies in New Mexico. The office works particularly well with its sister agency, the Bureau of Alcohol, Tobacco and Firearms, regarding investigations of illegal weapons being exported to drug producing and trafficking countries. Current experience in this field, however, indicates that New Mexico gun export cases involve the attempts of individuals to illegally export a few guns for personal use or resale on a very small scale, versus organized attempts to arm drug organizations.

ALBUQUERQUE FACILITY

Senator Domenici: What is the current schedule for completion of the Albuquerque, New Mexico, Air Branch facility funded in Fiscal Year 1989?

Commissioner Hallett: The new Albuquerque Hangar at Kirtland Air Force Base is scheduled to be completed in December 1990. The Albuquerque Aviation Branch should be relocated and completely operational no later than June 1991.

CUSTOMS: NEW MEXICO

Senator Domenici: What percent of the time has the Deming, New Mexico, aerostat been up and operational in fiscal year 1989?

Commissioner Hallett: The Deming, New Mexico, aerostat system attained an average time-on-station rate of 74 percent, in fiscal year 1989.

Senator Domenici: What are the seizure statistics from the Deming Aerostat in fiscal year 1989?

Commissioner Hallett: In fiscal year 1989, detections by the Deming System resulted in 4 arrests and the seizure of 1,680 pounds of cocaine, 1,400 pounds of marijuana, 2 aircraft, 2 vehicles and $ 10,000.00 in cash.

OPERATION ALLIANCE/SOUTHWEST BORDER

Senator Domenici: What benefit has Operation Alliance been to the drug interdiction and enforcement effort in the southwest over the last few years.

Commissioner Hallett: Customs continues to be an avid supporter and participant in Operation Alliance. Through the mechanism established under Operation Alliance, communication between the Federal, State, county and city law enforcement agencies along the Southwest Border has been improved.

Customs considers the cooperation of these law enforcement agencies and the coordination of their drug enforcement activities to be the most effective tool in reducing the supply of drugs entering the United States along the Southwest Border.

Operation Alliance is highly regarded by the State, county and city law enforcement membership and is recognized as a viable concept which can be effective.

OPERATION ALLIANCE

Senator Domenici: **What number of Customs staff are currently assigned to Operation Alliance in each of the Southwest border States? How does this compare with the personnel assigned to Operation Alliance in the previous two fiscal years?**

Commissioner Hallett: During the first quarter of Fiscal Year 1990, Customs has onboard a total of 3,171 enforcement personnel along the Southwest Border, who are available to support and participate in Operation Alliance activities.

This staffing includes Criminal Investigators, Inspectors, Enforcement Support officers, Canine officers, Intelligence Analysts, Patrol officers, Pilots, Air Interdiction officers, Detection System Specialists and Aviation Operations support personnel assigned within the Southwest Region and in southern California. There are 1,686 Customs employees in the Southwest Region, 543 Customs Employees in the SanDiego district, 488 Customs employees in the Los Angeles District and 454 Customs employees in Customs Aviation Operations that are available to participate in Operation Alliance. These numbers have remained fairly consistant over the past two fiscal years.

NEW MEXICO PORTS OF ENTRY

Senator Domenici: Would you please provide for the record the number of pedestrian, vehicle and truck crossings and imports/exports between the U.S. and Mexico through both the Columbus and Anapra, New Mexico, ports of entry in 1989?

Commissioner Hallett: At this time there is no port of entry at Anapra. The workload at Columbus during FY 1989 was as follows:

Pedestrians	**35,463**
Persons (total)	**541,161**
Trucks	**1,783**
Private Vehicles	**181,527**
Import shipments	**1,316**
Export shipments	**1,898**

Senator Domenici: What is your current staffing level at the Columbus, New Mexico, border station? Is this staffing level adequate?

Commissioner Hallett: There are 13 inspectors and 3 canine officers assigned to the port of Columbus. We believe that this resource level can efficiently process the current workload.

SEQUESTER REDUCTION

Senator Domenici: Of a total $232.528 million appropriated for fiscal year 1989 for U.S. Customs Air Interdiction, Operations and Maintenance, $2.165 million in funding was sequestered in accordance with P.L. 99-177. From which activities is this funding reduction being taken?

Commissioner Hallett: Each line item was reduced proportionally to meet the requirements of the sequester.

FY 1990 ADDITIONAL O&M FUNDS

Senator Domenici: For fiscal year 1990, additional funding was provided for the following: $5.0 Million for C3I upgrades; $27.0 Million for procurement of the third P-3 AEW aircraft; $70.0 Million for procurement of Citation aircraft; $1.8 Million for refurbishment of support helicopters; and $0.6 Million for relocation of the Phoenix Air Branch facility.

What is the status of each of these initiatives and is the full amount appropriated for each being provided?

Commissioner Hallett: The C3I upgrades that will be completed with the additional funding provided are: Vinson encryption; CNAC equipment and installation; development of software version 2.0 for OPS/INTEL; Spare equipment for C3I Systems; tracker performance (radar parameterization); and FAA Technical Evaluation Center installation and test.

Procurement of P-3 AEW #3 pre-contract negotiations are under way and candidate airframes are being identified. Assuming that the technical problems of #1 and #2 are resolved, P-3 #3 would be contracted in June/July timeframe. Expected project length is 18-20 months. Delivery expected early 1992.

The Customs contracting effort for the 10 additional interceptor aircraft is basically completed. Vendors and subcontractors are expected to commence work in March. Delivery of first interceptor is expected in February/March 1991. One per month delivery thereafter is expected.

Refurbishment of support helicopters - The funds will be used to refurbish the helicopters as they become available. A letter date January 11, 1990, from the Deputy Assistant Secretary, Drug Enforcement Plans and Support, indicated that the U.S. Army is undertaking a second review for excess helicopters.

Phoenix Aviation Unit Facility - The National Logistics Center is negotiating a lease from the city of Phoenix for a larger hangar and office space facility that meets the requirements of the Aviation Program mission. We anticipate relocating the unit by May 1, 1990.

DEPARTMENT OF DEFENSE'S CONTRIBUTION

Senator Domenici: How has the Department of Defense's lead agency role for detection and monitoring altered the U.S. Customs Service air interdiction mission, if at all?

Commissioner Hallett: As the new lead for detection and monitoring, the entry of DOD into the drug war foray has generally had a positive effect on the Customs drug enforcement mission.

DOD has brought to bear detection assets which otherwise might not have been available for the drug war. These assets, which include ground-based radar and airborne radar surveillance (E-2C/AWACS) platforms, as well as the trained personnel to operate this equipment, has provided a big boost to the overall effort in drug interdiction.

DOD provides an additional detection capability not otherwise presently available at our Command, Control, Communications and Intelligence (C3I) Centers. These additional DOD capabilities enhance rather than duplicate our current network for sorting target information.

AIRCRAFT DEPLOYMENT

Senator Domenici: What aircraft are currently being operated by the Customs Service and at which of the Customs aviation branches are these aircraft currently deployed?

Commissioner Hallett: The chart below shows the present deployment of U.S. Customs aircraft.

PRESENT AIRCRAFT DEPLOYMENT
BY USE CATEGORY
FEBRUARY 20, 1990

FUNCTION

AIR INTERDICTION	MIA*	JAX*	MSY	HOU	CRP	SJT*	ABQ*	TUC*	SAN*	TOTAL
DETECTION P-3B AEW P-3A					2 4					2 4
INTERCEPTORS Citation II	3		3	2		3	2	3		16
TRACKERS Piper Cheyenne IIIA (CHET)	1	3						1	3	8
APPREHENSION UH-60A Black Hawk	1	2	1	2		2	2	2	2	14
SUBTOTAL	5	5	4	4	6	5	4	6	5	44

ENFORCEMENT SUPPORT										
Beechcraft King Air 200 Beechcraft King Air (E-90) C-12 (Beech King Air 200) Twin	 1 6	1 7	 1 3	1 2	 2	2 2	 2 2	 1 2	 2 1	4 1 6 27
NOMAD	4**	1	2							7
Single-Engine	1	1		1			2	2	2	9
Helicopter		1	1			2		1	3	8
SUBTOTAL	12	11	7	4	2	6	6	6	8	62
TOTAL	17	16	11	8	8	11	10	12	13	106

* Includes Aviation Units
** One of these will eventually be re-assigned to San Diego.

CUSTOMS AVIATION MISSION AND SUPPORT HOURS

Senator Domenici: In fiscal year 1989, how many hours were flown by each of Customs' mission and support aircraft?

Commissioner Hallett: In fiscal year 1989, 25,447.0 flight hours were flown by Customs' mission aircraft and 24,470.1 flight hours were flown by support aircraft.

FACILITIES

Senator Domenici: Last year, Customs indicated that hangar and office space would be needed in the near future for the Jacksonville Aviation Branch. Other facility needs included additional office and hangar space for the Miami Air Branch, a second hangar space for the Miami Air Branch, a second hangar bay at the Corpus Christi Surveillance Support Center, and some type of structure to accommodate the Puerto Rico Aviation Unit. No funding is requested for Fiscal Year 1991 for any of these facility needs identified last year.

What is your schedule for meeting these facility requirements?

Commissioner Hallett: Customs will request funding for the Jacksonville and Miami Aviation Branches in our FY 92 budget. The Jacksonville Branch now occupies a facility that is in such need of repair that the working conditions have become hazardous. Also the Navy has requested that we move from our present space to a designated site in their 10-year plan. Customs needs to secure this site with a commitment by FY 1993. Additional space increase and the aircraft projected to be in place by 1991. Customs will also request funding in our FY 92 budget for a second hangar at our Surveillance Support Center in Corpus Christi. A second hangar bay is needed due to multiple types of aircraft, each unique and requiring specific scheduled and unscheduled maintenance actions; weather conditions also require space for aircraft storage to avoid considerable damage to non-flyable aircraft.

Customs is presently working on a modular trailer-type facility for the Puerto Rico Aviation Unit. A minimal amount of funding was needed for this facility which allowed the Aviation Program to fund this facility out of their FY 90 budget.

BLACK HAWK HELICOPTER

Senator Domenici: Last year, Customs lost a Black Hawk helicopter on a mission in the Caribbean. What are your plans to replace this Black Hawk helicopter?

Commissioner Hallett: In December 1989, USCS requested, in a memorandum to General Schlossberg, that DOD consider placing additional UH-60 Black Hawk helicopters "on loan" to the Customs Service. While an official reply to this memorandum has not yet been received, it is our understanding that the request is being considered by DOD and indications are that the request is going to be approved in the near future. We are hopeful that these additional helicopters will be made available before the end of this fiscal year.

Senator Domenici: Does Customs have a sufficient fleet of Black Hawk helicopters to carry out its interdiction mission? If not, what actions are necessary to address this need?

Commissioner Hallett: The U.S. Customs Service presently has a total of fifteen UH-60 helicopters. In December 1989, USCS requested, in a memorandum to General Schlossberg, that DOD consider placing additional UH-60 Black Hawk helicopters "on loan" to the Customs Service. We have requested three more helicopters which would then give us a total of eighteen Black Hawk helicopters. USCS considers this quantity to be a sufficient fleet of UH-60 Black Hawk helicopters to accomplish the apprehension role of the air interdicton mission. Assuming DOD approval of the USCS request, no additional action is required on this issue.

C3I CENTERS

Senator Domenici: On February 6, 1990, Customs submitted a report to this subcommittee on the current status of the C3I Program. That report indicates that the $5.0 Million provided last year for C3I enhancements is to be used in seven areas. Would you please provide for the record how much of the $5.0 Million will be allocated for each of these seven requirements.

Commissioner Hallett: The $5.0 Million will be allocated as follows: (There are now only six areas, track performance includes system redundancy).

Vinson encryption for UHF radios = $.9M

CNAC equipment and installation = $1.4M

The development of software version 2.0 for OPS/INTEL and the Blue Lightning Operations Center (BLOC) transition = $.7M

Spare equipment parts for the C3I system = $.8M

Tracker performance (radar parameterization) = $.4M

Design, develop, integrate, test and install Customs interface controller for the Federal Aviation Administration (FAA Technical Evaluation Center (TEC) located at Atlantic City, New Jersey and the Houston Air Route Traffic Control Center = $.8M

Senator Domenici: Track capacity upgrades are not one of the C3I System enhancements listed. We were under the impression last year that track capacity upgrades were a priority requirement; is this no longer the case? If track capacity upgrades are still required, what is the time frame for accomplishing these enhancements and what is the cost requirement? Are there any additional unfunded but necessary C3I System upgrades?

Commissioner Hallett: Track capacity upgrade is still a priority requirement. The name has been changed to Surveillance Upgrade Package which consist of several technically related requirements. Track capacity upgrades will require a total time of 2 years. This includes competitive selection of a contractor as well as contractor implementation time. Cost requirement is estimated to be $7.25M.

The following are proposed, but not funded system upgrades for FY 90 and FY 91:

Surveillance Upgrade Package (Less track capacity) ($5.25M)

C3I East/Puerto Rico Interface ($1.1M)

System Development Test Facility ($2.0M)

Communications Subsystem ($1.62M)

System Improvements ($1.23M)

Senator Domenici: Has the Coast Guard made available any funding for FY 1990 for C3I upgrades? If so, what is the total amount of funding being provided by the Coast Guard and for what purposes are these funds being allocated?

Commissioner Hallett: The Coast Guard has committed $4.2M which is to be applied to mission equipment,software development, and the shift of aerostat radar data from stand-alone consoles at C3I East to integrated displays.

Senator Domenici: Were any funds for C3I upgrades contained in Customs' original fiscal year 1991 Budget request? If so, what was the amount requested?

Commissioner Hallett: Customs initial FY 1991 budget request to Treasury included $5M for C3I sensor communications, increased track capability and tactical intelligence application.

Senator Domenici: The C3I Status Report indicates that integration of the C3I sensors with the aerostats has not yet been achieved at C3I East. How long do you expect it will take to rectify this problem?

Commissioner Hallett: 6 months. Since the last status report, we have integrated two more aerostats at C3I West (for a total of three aerostats). The technology learned will be exported to C3I East so that we may integrate the three "east" aerostats. However, track capacity will be a factor in integrating the aerostats at C3I East.

Senator Domenici: Are the aerostats fully integrated with the sensors at C3I West? If not, please give us a status report on that situation.

Commissioner Hallett: All three of the operating "western" aerostats are integrated into the system at C3I West. These three (Ft. Huachuca, Deming and Yuma) are being displayed on the integrated C3I West System, but still require fine tuning of the individual radar characteristics.

AEROSTATS

Senator Dominici: Would you please give us an update on the aerostat program.

A. How many aerostats are currently operational? What was the percentage of up and down-time for each of these aerostats in FY 1989?

Commissioner Hallett: Presently, there are three fully operational Customs aerostat systems which are located at Yuma and Fort Huachuca, Arizona, and Deming, New Mexico. Two other operational land based aerostat systems are currently deployed at Cudjoe Key, Florida (Air Force) and High Rock, Grand Bahamas Island (Coast Guard).

The Fort Huachuca system has been successfully operational on a 7X24 basis since August 2, 1988. The Deming and Yuma systems have also been fully operational since January and June 1989, respectively. The on-stations availability and down-time rates for all operational systems are as follows:

Fiscal Year 1989

SYSTEM:	% ON STATION	% DOWN WEATHER	% DOWN MAINTENANCE	% DOWN OTHER
YUMA	83%	05%	10%	02%
FT. HUACHUCA	65%	26%	08%	01%
DEMING	74%	15%	08%	03%
HIGH ROCK	55%	25%	20%	00
CUDJOE KEY	60%	22%	18%	00
CAPE CANAVERAL*	58%	13%	25%	04%

* Removed from service by USAF in mid 1989

Senator Dominici: Would you please give us an update on the aerostat program.

B. How many aerostats are in the pipeline? What are the proposed dates for completion of each of these?

Commissioner Hallett: Sites at Marfa, Eagle Pass and Rio Grande City, Texas, have been completed. However, due to the destruction of the aerostat hull and on-board radar at Eagle Pass, Texas, on December 28, 1989, the three General Electric Co. systems in Texas have been grounded pending the results and findings of the final report of the investigation into the cause of this incident.

Likewise, execution of the G.E. contract options for the (already funded) procurement of systems for Great Inagua Island, Matagorda, Texas, and Horseshoe Beach, Florida, are also pending for the above reasons.

The Puerto Rico system is presently in production and site construction is in progress. This system is scheduled to be operational November 1, 1990.

The site at George Town Airport, Great Exuma Island was completed in September 1989. Acceptance testing of this site is tentatively scheduled to begin on March 20, 1990. Final Operating Capability is estimated to be May 1, 1990.

Senator Dominici: Would you please give us an update on the aerostat program.

C. Have all proposed aerostats been funded either by Customs or the Department of Defense? If not, which proposed aerostat have not been funded?

Commissioner Hallett: All systems are currently funded.

Senator Domenici: Funding was made available to the Department of Defense for procurement of a spare aerostat balloon. Are you aware of the status of this backup balloon? Will this spare be available as a backup for all of the aerostats in operation?

Commissioner Hallett: The Department of Defense allocated $6.9 millon of fiscal year 1990 funds for the purchase of a spare aerostat system. To date, these funds have not been received at Customs. Presently, there are several different aerostat hull types in use at the various operational sites. The spare is not fully interchangeable with all deployed systems.

Senator Domenici: When the aerostats are down, are we deploying sufficient airborne radar surveillance to those areas lacking radar coverage.

Commissioner Hallett: Yes, when aerostats are down Customs deploys its airborne radar surveillance assets that are not committed to special operations to fill the gap.

Senator Domenici: What percentage of the time are airborne radar platforms patrolling the Southwest Border?

Commissioner Hallett: A total of 50 percent of available airborne radar platform time is dedicated to operations along the Southwest Border.

Senator Domenici: Is there an increase in suspect aircraft across the border when the aerostats are down?

Commissioner Hallett: The SW radar net is 50% deployed, at this time there appears to be no noticeable increase in suspect crossing when a specific aerostat is down. However, a "faucet effect" may be realized when the full network is operational.

Senator Domenici: Are the aerostats providing full coverage of the California-Mexico Border?

Commissioner Hallett: The Yuma, Arizona, aerostat does not provide full coverage of the California-Mexico border. Gaps in its coverage are filled by a combination of FAA, DOD and joint (JSS) ground based radars along with the utilization of DOD and Customs airborne radar assets.

Senator Domenici: Recognizing the fact that this question ignores the deterrence value of the aerostats, what are the seizure statistics from each of the Southwest and Southeast aerostats for FY 1989?

Commissioner Hallett: The following reflects arrests and seizures for fiscal year 1989 that are directly attributable to aerostat detections:

AEROSTAT SYSTEM:	ARRESTS AND SEIZURES:
Cudjoe Key (USAF)	1-Arrest
High Rock (Coast Guard)	1-Aircraft
Yuma (Customs)	None
Fort Huachuca (Customs)	1-Arrest 600 Pounds of Marijuana 1-Aircraft 1-Vehicle

Deming (Customs)	4 Arrests 1,680 Pounds of Cocaine 1,400 Pounds of Marijuan 2-Aircraft 2-Vehicles $10,000 Cash

CUSTOMS SERVICES AT SMALL AIRPORTS

Senator Domenici: Increased funding was made available for Fiscal Year 1990 to allow additional qualifying airports beyond the 18 currently designated to be approved for reimbursable Customs services.

How many additional applicants do you expect will be designated to receive such services in each of Fiscal Years 1990 and 1991?

Commissioner Hallett: There are currently 3 applications awaiting final approval: one airport is delayed over a facility issue and the other airport operator has not specified a start date. We have not yet received the completed Memorandum of Agreement from the Kenai Peninsula. Based on requests for information from representatives and consultants for several communities, we anticipate that four or five additional locations will apply for this service during FY 90 and as many will apply in FY 91.

Senator Domenici: Is the requested Fiscal Year 1991 funding limitation of $2,152,000 sufficient to allow the approval of all applicants able to qualify for services under this program?

If not, what additional amount would be necessary?

Commissioner Hallett: We believe the requested funding will be adequate to meet the needs of the program. Based upon workload growth and development, a number of these locations are being considered for full port of entry status. If that change is appropriate, it would free up those resources for use at new small airport locations.

Senator Domenici: Which airports or facilities have applications pending to qualify for Customs services under this program?

Commissioner Hallett: Pending applications have been submitted by Sioux City, Iowa, and Sanford, Florida. We are expecting the application from the Kenai Peninsula Borough, Alaska, for service at the airport and seaport facilities.

Senator Domenici: Of the 18 presently designated user fee airports, which have foreign-trade zones co-located with them which will now also qualify for reimbursable Customs services under P.L. 101-207? Will this increase the FTE requirements for these Airports? If so, how many additional FTE will be required?

Commissioner Hallett: At the present time only Casper, Wyoming, has an active foreign-trade zone operating in conjunction with the user fee airport. An applications have been approved for St. Paul Island, Alaska. The application for Midland, Texas, is under consideration and Klamath Falls, Oregon, has indicated that they are developing an application. We fully expect to provide appropriate service levels to both the user fee airport and FTZ within the resources currently allocated to each reimbursable airport.

FORFEITURE FUND REPROGRAMMING

Senator Domenici: What is the justification for the proposed Fiscal Year 1990 reprogramming of funds among the various object classifications of the Forfeiture Fund.

Commissioner Hallett: Senator, Customs has requested the reprogramming to reflect the actual use of the fund that has resulted from the new expenditure authority granted for Fiscal Year 1990.

CUSTOMS FORFEITURE FUND/ASSET SHARING

Senator Domenici: What is the estimated permanent budget authority level required in each of fiscal years 1990 and 1991 for non-discretionary uses of the Customs Forfeiture Fund?

Commissioner Hallett: We are estimating $35 million for each of fiscal years 1990 and 1991 for non-discretionary uses of the Customs Forfeiture Fund.

Senator Domenici: What is the anticipated unexpended forfeiture fund balance in each of fiscal years 1990 and 1991?

Commissioner Hallett: We are estimating that $6.6 million in fiscal year 1990 and $5.6 million in fiscal year 1991 will be transferred to the General Fund of the Treasury after the $15 million carryover permitted each year. These are only rough estimates. The actual amounts transferred will depend on the total of deposits into the fund of forfeited, seized currency and the proceeds from sales of forfeited, seized property. We have no accurate way to estimate these deposits.

Senator Domenici: Under the Anti-Drug Abuse Act of 1988, the Coast Guard is authorized to share in the proceeds of the Forfeiture Fund derived by seizures from the Coast Guard if an appropriation above $10 million is provided. Since the post-sequester appropriation level for Fiscal year 1990 is $14,855,000, what portion of the amount above $10 million is expected to be shared with the Coast Guard?

Commissioner Hallett: Senator, the Customs Service stands ready to support whatever asset sharing requests forwarded by the Coast Guard. As of today, no such requests have been forwarded.

Senator Domenici: What amount is being paid out of the fund to State and local law enforcement agencies for overtime, travel, fuel, training and equipment costs incurred as a result of their participation in joint operations with the Customs Service?

Commissioner Hallett: Senator, during Fiscal Year 1989, Customs reimbursed State and Local governments $1,637,450 for costs related to joint operations.

Senator Domenici: What is the value of Forfeiture Fund assets transferred to State and local governments in each of Fiscal Years 1988 and 1989?

Commissioner Hallett: In Fiscal Year 1988, Customs shared $11.2 million in assets with State and local governments. In Fiscal Year 1989, the amount increased to $32.7 million.

Senator Domenici: What is the status of the investigation into Northrop's handling of the Customs Forfeiture Program?

Commissioner Hallett: Senator, the Grand Jury investigation into Northrop's handling of the Customs Seized Asset Property Management Fund is still on-going. To date, I have not received any reports of any findings positive or negative.

INSPECTIONAL STAFFING

Senator Domenici: The largest reduction shown for fiscal year 1990 is in inspector positions--139 FTE positions below the level reflected in the statement of managers accompanying the fiscal year 1990 Treasury, Postal Service, and General Government Appropriations Act.

For fiscal year 1991, you are requiring an additional 174 inspector positions for the Southwest Border, offset by a reduction in 98 inspector positions resulting from A-76 savings for a net increase of 77 FTE. This fiscal year 1991 increase in inspector positions is from a significantly reduced fiscal year 1990 base level.

How can Customs meet the projected growth in workload for fiscal year 1991 with a real reduction in inspector positions overall? You are losing 139 positions in fiscal year 1990 and only gaining 77 in fiscal year 1991. Won't the increase in Southwest Border inspectors be at the expense of other areas? Where are the positions to offset the additional 175 inspector positions proposed for the Southwest Border being taken? Isn't there a need for additional inspector positions at U.S. ports of entry other than those along the Southwest Border?

Commissioner Hallett: The situation you describe reflects the Customs inspectional staffing levels at the time when our FY 1991 budget request was submitted. Since that time, the Administration is proposing to transfer almost $1.9 million from the Drug Czar's Special Forfeiture Fund. These funds will be used to offset absorptions for increased AUO costs and pay raise. As a result, the reported net reduction of 314 FTE is no longer valid; Customs overall staffing will increase from 16,349 FTE to the FY 1990 level of 16,663 FTE. Furthermore, the inspector force will be significantly above the 77 FTE change reported in the earlier budget request.

Given these resource increases, we fully expect to efficiently handle not only the projected workload growth, but also the staffing for the Southwest Border. While it is true that a very modest reduction in inspectors will be required in other areas in order to allocate the full complement of 175 inspectors to the Southwest Border, we do believe that this can be accomplished with no visible deterioration of services anywhere. As reported during the Congressional hearings, we will review ongoing workload and staffing to determine the potential overstaffed areas. However, at this time, the specific locations have not been determined. Based on current workload projections, we believe that efficient service and effective enforcement can be maintained along the Southwest Border with the currently designated FY 1991 resources.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

CUSTOMS PROGRAM CUTS

Senator D'Amato: There are at least 14 Customs programs (detailed in the chart below) facing reductions this year from the levels enacted last year in the Treasury Appropriation Bill (P.L. 101-136) and the drug supplemental contained in the Transportation Appropriation Bill (P.L. 101-164). These cuts are only partially offset by increases in Investigations Program Support and Internal Affairs Employees. Overall, Customs is facing cuts in 636 positions below the FY 1990 enacted levels.

(Number of Full Time Equivalent Positions)

Program	1990 Enacted	1991 Proposal	Change
Inspectors	5,586	5,524	-62
I&C Program Support	1,040	962	-78
Import Specialists	1,135	1,084	-51
Laboratory	118	112	-6
Tariff & Trade Program Support (includes Entry Clerks)	1,830	1,694	-136
Investigations Agents	1,428	1,211	-217
Aviation Interdiction Support	870	854	-16
Investigators /Patrol Officers	1,147	1,011	-136
Tactical Interdiction Program Support	121	115	-6
Intelligence Employees	287	269	-18
Enforcement Support	342	326	-16

Operational Support	938	895	-43
Executive Direction & Control	863	824	-39
Chief and Regional Counsel	108	104	-4

What will be the effect of these cuts on each of these programs?

Commissioner Hallett: It is certainly our intention to minimize disruption to current staffing and programs. Because the reductions in FTE will be accomplished through attrition, it is difficult to predict the specific effects on Customs programs. To the degree possible, all reductions and absorptions will be shared equally, however, Customs critical programs, such as the Automated Commercial System, will receive the resources they require. Commitments made previously for the Interagency Border Inspection System (IBIS), the Financial Crimes Enforcement Network (FinCEN), and canine enforcement will be maintained.

Senator D'Amato: Please comment on the following statement:

For three fiscal years (1988,1989, and 1990) Customs pay has increased by over $57 million, but only $12 million in new budget authority has been provided for pay increases over the same period. For the same period, health benefits have increased in excess of $18 million, but only $1.3 million in new budget authority has been provided.

The cumulative effect of the required absorptions in these two areas is $62 million.

Such absorptions virtually eliminate all discretionary funding within the Customs Service and will force Customs to begin reducing staffing levels, and special operations. Previous levels of discretionary funding were used to continue enhancement of its Automated Commercial System (ACS), Treasury Enforcement Communications System (TECS), and other priority efforts. Those discretionary funding levels are now almost completely gone.

For FY 1991 the absorption policy continues for pay raises and the AUO increase. The bottom line is clear: the Customs Service will have no other option but to continue to reduce staffing.

Commissioner Hallett: The statement is correct and the effects are reflected in our 1991 budget submission.

Senator D'Amato: Under the FY 1991 budget request, does Customs have to absorb the following cuts below the levels enacted in FY 1990:

-- $13.1 million in base cuts for pay and benefits absorptions (281 FTE positions);
-- $13.6 million in base cuts for the Administratively Uncontrollable overtime (AUO) absorption (257 FTE positions);
-- $0.8 million (98 FTE) in so-called A-76 "savings" through the contracting out process,

for a total of 636 positions below the 1990 enacted levels?

Commissioner Hallett: Yes.

Senator D'Amato: In effect, doesn't this mean that Customs starts out 636 positions in the hole? Won't that affect Customs' ability to meet the Congressionally mandated floor for personnel levels?

Commissioner Hallett: Yes. We do not expect to meet the Congressionally mandated floor for personnel levels. The combination of sequestration and absorption of increased costs, from the unfunded portion of the FY 1990 pay raise and raised rates for health benefits, resulted in a total of over $40 million in shifts among Customs programs. This has required extensive redistribution of Custom Service resources since the enactment of the appropriation. While it was possible to make some small shifts from reduced funding of special operations and travel costs, Customs is a personnel intensive agency and has only a limited number of discretionary funding options available.

HIRING FREEZE

Senator D'Amato: Is there a hiring freeze on?

Commissioner Hallett: Yes. I have instituted a hiring freeze in all headquarters organizations, both in Washington and in the field.

Senator D'Amato: How long has the freeze been in effect?

Commissioner Hallett: Since November 8, 1989.

Senator D'Amato: Why was it necessary to institute a hiring freeze?

Commissioner Hallett: The combination of sequestration and absorption of increased pay raise and health benefits costs required extensive redistribution of Custom Service resources. While it was possible to make some small shifts from reduced funding of special operations and travel costs, Customs is a personnel intensive agency and had only a limited number of discretionary funding options available.

The decisions to limit hiring were made due to the lack of available funds described above. While we had the resources to cover existing operations, including allocations for pay raise and benefits increases, insufficient resources remained to fully fund new initiatives. In other words, to fully comply with the Congressional direction, we would have to cut back staffing in existing operations to hire the new positions.

I thought it would be inappropriate, as well as inconsistent, to be "laying off" people in order to hire new people to staff new Congressionally-directed initiatives. It also made little sense to strip existing operations of funds for the non-personnel costs such as travel, equipment, etc., required to carry out the Customs Service mission. Otherwise, we could not have avoided localized or program RIF's as a new initiative was funded while the base program was undergoing a significant reduction.

Senator D'Amato: Which operations are affected by this freeze, and how is each program affected?

Commissioner Hallett: Customs is currently planning to take the required absorptions through attrition. Because attrition occurs randomly, it is difficult for Customs to predict in which specific programs and in which locations reductions will occur.

THE CUSTOMS PERSONNEL "FLOOR"

Senator D'Amato: Please explain the problem Customs has with meeting the so-called personnel "floor" that Congress mandates?

Commissioner Hallett: Although funding of the 1990 Customs Service Salaries and Expenses appropriation totalled $1,077,634,000, the combination of sequestration and absorption of increased costs including $19.0 million for the unfunded portion of the FY 1990 pay raise and $6.3 million from the January 1990 increases for health benefits, resulted in total of over $40 million in shifts among Customs programs. This has required extensive redistribution of Custom Service resources since the enactment of the appropriation.

Senator D'Amato: Has Congress in the past tended to add to the floor without giving Customs the money for those positions?

Commissioner Hallett: No, Congress has generally given Customs the money for new positions to reach the floor.

Senator D'Amato: In the last two years, has Congress given you the money you need to hire up to the floor?

Commissioner Hallett: The problems in recent years have arisen because of the gradual erosion of our "base" due to absorption of pay and other increased costs.

Senator D'Amato: Does the FY 1991 budget request give you what you need to hire to the floor?

Commissioner Hallett: No. Our 1991 budget submission acknowledges the cumulative effects of past problems and presents the resulting FTE reductions.

INTERNAL AFFAIRS AND INTEGRITY

Senator D'Amato: One of the areas that Customs FY 1991 Budget Request emphasizes is the Customs internal affairs/integrity program. What specifically are the concerns that led Customs to focus on this program and what initiatives will be possible if the budget request for this program is met?

Commissioner Hallett: The Federal Managers Financial Integrity Act (FMFIA) requires agencies to report annually on their conformance with GAO recommended practices. Previous reports have identified a number of deficiencies and Customs Service has already devoted significant staff and contract resources to develop and initiate corrective actions.

The requested 1991 initiative will continue design and development of the Asset Information Management System (AIMS), one of the principle means for implementing needed improvements. The initiative includes leasing a new administrative systems mainframe computer to run AIMS and other Customs

Service administrative systems to free space on the current commercial systems computer to cope with expanding commercial processing workload.

Senator D'Amato: What will be the result if the requested increase is not provided?

Commissioner Hallett: These needs are of such importance that if our 1991 initiative is not funded, Customs will have to find the money within our program base. As we already have insufficient base resources to meet Congressional directions at this time, finding the resources for the internal controls improvements will be very difficult and could conceivably delay implementation until fiscal year 2000.

ALLOCATION OF RESOURCES

Senator D'Amato: Please explain how limited the Customs Commissioner's discretion is to assign personnel and equipment?

Commissioner Hallett: In general, I am limited in the allocation of resources, such as, personnel and equipment, by statutory requirements, Congressional policy direction, as well as fiscal constraints related to the costs of shifting personnel or equipment. The Congressional limitation can be reflected in program or geographic restrictions. As a practical matter, new resources can be allocated to programs and geographic locations within Congressional and legislative guidelines. However, in recent years, the Congress has included a multitude of specific direction as to location so that there is minimal discretion or flexibility for my allocation decisions. With regard to in-place resources, a significant obstacle to assigning personnel to other locations is the prohibitive costs. Frequently, Customs must wait for vacancies in order to shift resources to higher priority locations.

Senator D'Amato: Has there been a tendency in the Congress to earmark that affects this discretionary authority?

Commissioner Hallett: In recent years Customs appropriation has included a significant number of resources earmarked to specific locations, which does not permit any discretion for Customs. Clearly, the earmarking of resources to specific locations impacts and reduces Customs overall discretionary authority. We are not free to allocate resources to immediate problem areas or other priorities because these resources are designated for other users. The issue is further complicated when simultaneously Customs must also absorb substantial increased costs. We understand the need to earmark some new resources, but the tendency in recent years to include specific directions for use of the appropriations does place a severe strain on our ability to respond to current priority requirements. In recent years, the Congress has substantially increased its earmarking of resources to specific programs and locations. It is not unusual for the Congress to direct the placement of a significant percentage of new resources to particular functions, programs, or geographic locations.

Senator D'Amato: When the Customs Budget was around $800 million, didn't the Commissioner have much more discretionary authority in this area than you do now with a billion-dollar budget?

Commissioner Hallett: Although it is difficult to correlate appropriations over several years, it does appear that a higher percentage of the Customs Budget is now allocated to a large number of fixed costs. Customs also during this period, as the budget increased, has been burdened with significant absorptions imposed by law. From FY 1988 alone, Customs absorbed some $62 million in increased salary and benefit costs. Furthermore, a significant percentage of the new resources, since FY 1987, were for staffing and other specific items, which did not permit any discretion. The net result of these events is that there is at best, very limited discretion open to me in resource allocation and in our ability to meet the numerous request for additional resources at specific locations.

Senator D'Amato: How much discretionary budget authority do you have now?

Commissioner Hallett: The FY 1990 budget, after sequester and the absorptions, does not provide any significant funds for discretionary resource allocations. Customs is currently operating at full staffing and is attempting to fully implement Congressional initiatives and other specific policy direction. Once these costs have been allocated, there is no funding for discretionary decisions to allocate resources to meet new priorities and increased workload at specific locations.

Senator D'Amato: Why is that reduction in discretionary authority important?

Commissioner Hallett: Discretionary authority is important because it gives Customs management an opportunity for efficiently allocating resources to priority programs and high intensity smuggling and commercial locations. Moreover, it permits management to effectively deal with exigencies that arise during the year. With a reduction in discretionary authority, it is no longer possible to as effectively allocate resources.

FORFEITURE FUND

Senator D'Amato: Please explain how the excess of the Customs Service Forfeiture Fund goes to general revenue every year. How much from the Customs Forfeiture Fund went to general revenues last year?

Commissioner Hallett: At the end of the fiscal year, Customs carefully calculates all incoming receipts and expenditures. After deducting the $15 million carryover into the next fiscal year permitted by the legislation, any surplus funds are then transferred to the General Fund of the Treasury Department. In FY 1989, Customs transferred to the General Fund, $38.2 million. An additional $5.4 million related to FY 1989, still awaiting final certification, will be transferred to the General Fund.

Senator D'Amato: Isn't that different from the way the excess of the Justice Department Forfeiture Fund is treated? Doesn't at least part of the excess in the Justice Forfeiture Fund go to the Special Forfeiture Fund to fight the war on drugs?

Commissioner Hallett: It is correct that the Department of Justice (DOJ) Forfeiture Fund excess is under a different statutory requirement. In FY 1990, after subtracting a carryover into the next year, the DOJ Forfeiture Fund transfers the remainder to the Special Forfeiture Fund of the Office of National Drug Control Programs.

Senator D'Amato: Please explain how forfeited property and cash are treated differently by the Customs Forfeiture Statue.

Commissioner Hallett: Briefly, forfeited cash is deposited directly into the Forfeiture Fund once the forfeiture proceedings are completed, whereas forfeited property must first be sold before the proceeds can be deposited into the Fund.

ASSET SHARING

Senator D'Amato: Is it true that Customs can share assets but not proceeds with State and local law enforcement--so that, for example, if Customs and Sheriffs from three counties cooperate in a case that results in seizure of 1 plane, you can share that plane with one of the sheriffs, but you cannot sell the plane and share the proceeds with the three sheriffs?

Commissioner Hallett: Yes, Senator, that is correct.

Senator D'Amato: Would Customs support a change in the law to correct that deficiency?

Commissioner Hallett: My staff is currently in the process of requesting Administration approval to submit legislation to allow Customs to share the proceeds of sale with State and local governments in this manner. If the Department of the Treasury and the Office of Management and Budget agree that such legislation is in the best interest of the Government, Customs would support such legislation.

DEPARTMENT OF DEFENSE FUNDING ASSISTANCE

Senator D'Amato: In FY 1989, the Customs Service requested $3.6 Million from the Department of Defense to fund "incremental upgrade enhancements" to the Customs Command, Control, Communications and Intelligence (C3I) Centers.

Customs told us at last year's hearing that it wanted the Defense Department to fund the electronic linking of additional FAA Centers sensor and flight plan data to their C3I Centers.

Did you get the $3.6 Million you requested from the Defense Department? Do you expect any funding assistance from the Defense Department Budget for FY 1990 and FY 1991?

Commissioner Hallett: The U.S. Customs Service did not receive any money from the Department of Defense. Customs cannot anticipate the availability of DOD funding.

THE BAHAMAS

Senator D'Amato: At last year's hearing, I asked a question for the record in reference to the integration of drug enforcement operations in the Bahamas. Commissioner Von Raab responded: "One problem, which relates to philosophy and command and control of OPBAT (Operation Bahamas and Turks & Caicos) forces, has surfaced through Customs chain of command to the Interdiction Committee (TIC) for resolution, but to date, the problem remains unsolved."

Did the interdiction committee resolve the problem? Who has command and control over OPBAT forces? Is command and control coordinated at the C3I center at Richmond Heights, Florida?

Commissioner Hallett: Yes, the joint team that TIC requested to investigate the operational interface between OPBAT and C3I East has completed its work and prepared a final report.

The report findings are:

- o Command and control of Bahamas based assets should be maintained in Nassau.
- o DEA Miami should consider the assignment of a full-time OPBAT liaison officer to the C3I East.

AEROSTAT IN PUERTO RICO

Senator D'Amato: Did the aerostat at Lajas, Puerto Rico ever go up? If so, what are the results of this new radar coverage?

Commissioner Hallett: The aerostat system to be delivered to the Government of the Commonwealth of Puerto Rico is currently in production and the site at Lajas is currently under construction. The estimated date for Final Operating Capability for this system is November 1, 1990.

RADAR DATA

Senator D'Amato: Did you ever receive the data from the Over the Horizon-Backscatter and the Caribbean Radar Network radars, and, if so, are they linked with the C3I Center in Richmond Heights, Florida?

Commissioner Hallett: As of this date, C3I East is not receiving radar data from either the Department of Defense Over the Horizon-Backscatter Radar (OTH-B) or the Caribbean Basin Radar Network, however, the testing of the OTH-B has been coordinated with U.S. Customs. It is anticipated that once the system becomes fully operational, Customs will utilize the OTH-B by interfacing or linking.

AGREEMENT WITH MEXICO

Senator D'Amato: In January of 1989, the Mexican Government signed a Letter of Agreement with the U.S. requiring all aircraft entering the U.S. from Mexico to display a discrete transponder code.

Do all aircraft entering the U.S. from Mexico now display a discrete transponder code?

Commissioner Hallett: Yes. In June of 1989, a Letter of Agreement was signed between the U.S. Customs Service and the FAA. This is not an agreement between the Mexican Government and the U.S. It is an Interagency Agreement which delinates the responsibilities for the exchange of Customs flight notification information between the FAA Western-Pacific and Southwest and U.S. Customs. The transponder code for aircraft arriving from Mexico is part of this agreement.

CANINE PROGRAM

Senator D'Amato: Is there still a significant capacity constraint at the Canine Training Center?

Commissioner Hallett: At the present time, Senator, with our current instructional staffing level, the Training Center has the capability to train 120 canine teams per year. Besides Customs, we anticipate at least 20 training slots, on an average, to be available to foreign, state and local law enforcement agencies.

The major constraint inhibiting additional productivity at the Training Center now is the size and conditions of the facility itself. The existing facilities were established 16 years ago as supposedly temporary measures. Horse stables and hay barns were converted into office, kennel and training facilities. The Center has been developed in piecemeal fashion over the years, and is in need of extensive refurbishing. Repairs are needed to maintain the safety and well-being of both canines and personnel.

We have requested $3.4 million to expand and update the facility. Expansion is necessary to meet not only our current training requirements, but for the projected increase of the program from its current level of 220 teams to 500 teams by the end of FY 94. Investment of these funds now will lower overall training costs, since the facility will be able to operate nearly year round. Development of the current site will also mean the phasing out of more expensive alternate or satellite training facilities.

CARGO CONTAINER EXAMINATIONS

In response to my question on new drug smuggling threats at last year's hearing, Commissioner Von Raab responded that an increase in Inspection and Control positions to augment the container examination effort will enable Customs to increase the rate of examinations by 50%.

Senator D'Amato: Did Customs achieve the 50% rate of increase for container examination? What were the results of the increase that Customs achieved?

Commissioner Hallett: Overall, U.S. Customs Service examined 44,000 more containers for narcotics enforcement purposes i.e. 280,000 in FY 88 vs. 324,000 in FY 89. For the 15 highest risk countries, U.S. Customs Service inspected nearly 20% of these containers. These increases were due to National Guard usage as no new positions were added.

Seizures of cocaine in containers dropped 56% from 39,420 pounds in FY 88 to 17,111 pounds in FY 89. By increasing exams, especially on highest risk cargo, Customs believes we began to deter smugglers from using containers as a conduit for smuggling.

QUESTIONS SUBMITTED BY SENATOR INOUYE

HONOLULU STAFFING

Senator Inouye: In FY '90, $500,000 was appropriated in the Treasury, Postal Service and General Government Appropriations Bill for additional part-time and temporary inspectors at the Honolulu International Airport (HIA).

I am interested to know the status of your efforts to implement this provision?

Have the additional part-time and temporary inspectors been hired and currently employed at the HIA for FY '90?

Commissioner Hallett: The full amount appropriated for less than full-time personnel has been allocated to the Honolulu District.

Senator Inouye: The FY '90 Appropriations Bill also directed the Service to provide an increase of 24 inspectors for the HIA over the authorized level for the district for fiscal year 1990. Both actions were intended to enhance, not supplant current staffing levels.

I am interested to know the status of your efforts to implement this provision?

Please provide the Committee with an anticipated time frame within which these 24 inspectors will be employed at the HIA.

Commissioner Hallett: Due to the impact of sequestration and the absorption of the pay raise and increased employee benefits, we have been unable to comply with this provision. A number of changes are being implemented to facilitate passenger traffic through the HIA. The Interagency Border Inspection System and increased reliance on selectivity have proven to reduce Customs processing time while allowing the continuation of our enforcement efforts.

We will closely monitor the situation in Honolulu and take appropriate action to prevent undue delays.

FEDERAL ELECTION COMMISSION

STATEMENT OF LEE ANN ELLIOTT, CHAIRMAN

ACCOMPANIED BY:

JOHN WARREN McGARRY, VICE CHAIRMAN AND CHAIRMAN OF THE FINANCE COMMITTEE

JOAN D. AIKENS, COMMISSIONER

INTRODUCTION OF WITNESS

Senator DECONCINI. Our next panel includes representatives of the Federal Election Commission. Testifying on behalf of the FEC will be Chairman Lee Ann Elliott, along with John McGarry, Vice Chairman and Chairman of the Finance Committee. We are sorry to have made you wait so long and look forward to hearing your testimony today.

It is my understanding that, unlike last year, the FEC/OMB budget request for fiscal year 1991, which totals $17,150,000, is sufficient to carry out your very, very important work. And I am sure you are relieved that you do not have to go through another fiscal year trying to explain to the committee and others why the OMB budget request does not meet your needs. You are an exceptional agency in that you are mandated, I believe, to come to us with your needs as well as whatever OMB says.

So we are here to assist you. As you know, I think the work you do is very important. We welcome you, and will hear any statement you have, Ms. Elliott.

Ms. ELLIOTT. Thank you, Mr. Chairman and members of the committee.

INTRODUCTION OF ASSOCIATES

With me today is Vice Chairman John McGarry, who will present the Commission's testimony on our 1991 budget, and Commissioner Joan Aikens; both of whom are members of our Finance Committee.

Senator DECONCINI. Welcome.

PRESIDENTIAL ELECTION CAMPAIGN FUND

Ms. ELLIOTT. We are pleased to appear before you and are very grateful that you have scheduled early hearings because it gives the Commission an early opportunity to alert this Committee to a very serious problem that the Commission cannot solve.

The problem is the Presidential election campaign fund. When we appeared before you last year, we indicated the fund would not be able to fully finance the 1996 Presidential election campaign cycle. The problem is more serious than we thought. It now appears probable that the shortfall will occur during the 1992 Presidential election.

There are two main reasons for this. First, I will address the income to the fund. The participation in the checkoff continues to decline dramatically, and the amount of money that can be contributed by any person desiring to participate in the program remains fixed at $1. This amount is not indexed.

The second reason, of course, is the outlay from the fund. Outlays from the fund are based on two variables, and they are very key—the number of candidates running and the rate of inflation.

Applying a 4.5-percent rate of inflation, we anticipate a shortfall of at least $200,000 in 1992. The outlook for the 1996 Presidential election is much worse. We anticipate this shortfall at the same 4.5-percent inflation rate to be at least $131 million.

This means that there will be no funds for the primary matching fund program, no funds for the party Presidential nominating conventions, and not even full funding for the Presidential general election.

Legislative action is needed soon to preserve the integrity of the program. We urge the committee to give attention to this problem just as soon as possible.

That concludes my statement, Mr. Chairman, unless you have some questions. Vice Chairman McGarry will present the balance of the testimony for the 1991 budget.

Mr. McGARRY. Thank you, Madam Chairman.

FISCAL YEAR 1991 BUDGET REQUEST

Mr. Chairman, as you indicated at the outset of this particular hearing, our budget submission for fiscal year 1991 is in total agreement with the Office of Management and Budget. The dollar figure of $17,150,000 and the staffing level of 266 full-time equivalents is in the President's budget that was received earlier this year by the Congress.

I'd like to submit the formal testimony for the record if I may, Mr. Chairman.

Senator DECONCINI. Without objection, it will appear in the record.

DEMOCRATIC REFORMS IN THE WORLD

Mr. McGARRY. And I would like to make just a couple of brief comments before we answer your questions.

The first comment I have relates to a very important matter, Mr. Chairman, that has no direct impact on our budget. Over the past year, the Federal Election Commission has had extensive contact with, and we have exchanged a great deal of election information with our counterpart in the Soviet Union, the Central Electoral Commission.

The Soviet Union, as we all know, is in the process of restructuring its entire electoral system. As a matter of fact, it has now become apparent to all of us that the cry for freedom and free elections has exploded throughout the world in some of the most dramatic developments in history.

We at the Federal Election Commission have always felt that we were engaged in some of the most important business of our Government, and if there ever was a critically important time for the U.S. electoral process, which is the bedrock of our whole system of democracy and the essence of our freedom, to be vibrant and strong, it is now, Mr. Chairman. That is the basic tenet of our budget submission here today.

FISCAL YEAR 1991 BUDGET REQUEST

Let me address directly now the budget itself, Mr. Chairman.

The Federal Election Commission is a labor-intensive agency. Over 70 percent of our budget goes just to pay our staff—and we are talking about salaries, mandated pay increases, health benefits, retirement—and over all of these things we have no control.

The rest of our budget goes in large part for the support of staff—rent, equipment, supplies, and so forth—and we have no control over that.

What we are left with in our budget is about 5 percent for discretionary items. Let me just take one as an example—printing—and what are we talking about here? Providing the regulated community with the law, regulations, reporting forms, and other essential materials without which the regulated community would have trouble complying with the law.

The whole point I want to make here is that we have very little room to move in our budget, and if we are cut, we simply cannot do what we are mandated by law to do.

CAMPAIGN FINANCE SPENDING

My next comment relates to something that you are very familiar with, Mr. Chairman, and I read with great interest your statement on the floor in early February about the upward-spiraling costs of campaign financing. My whole point in raising it here for the Federal Election Commission is the direct and overwhelming impact it has on every facet and aspect of our operation.

Now, I could go into a lot of detail, but it is late in the day and a lot of it is in the formal testimony. But let me give you just one, simple, recent example of the skyrocketing cost of campaign spending.

In the 1988 election total spending for all Federal elections increased by 77 percent over the 1984 election. Probably this runaway spending is summed up in something that the Federal Election Commission said when it appeared before this committee in 1984. It predicted in that year that total campaign spending for 1984 would go over $1 billion. That prediction came true.

I will now predict, Mr. Chairman, that in 1990 this runaway campaign spending will hit $1,450,000,000, and in 1992, Mr. Chairman, will go over $2 billion.

TITLE 26 AUDITS

My reason for raising this is to indicate the direct and overwhelming impact it has on our operation. Let me give one example—audits. The audits of publicly financed Presidential candidates are mandated by law. This year, the Federal Election Commission is conducting these mandatory audits with fewer auditors than we have had at any time in the last 10 years. One of the things we are seeking in our budget is merely to gain parity with what we had in 1980. The recent Presidential election cycle involves auditing $67 million in primary money that was certified, whereas in the 1984 election there was only $36 million—so we are doing a heck of a lot more with an awful lot less.

GENERAL BUDGETARY CONCERNS

I will make a final comment before answering your questions. I would like to dispel a notion, a popular misconception that a lot of people have, about the Federal Election Commission. That is, that we are nothing more than a repository for the receipt of reports and the computerizing of those reports.

We are much more, Mr. Chairman, than a repository for the receipt and processing of disclosure reports. Day in and day out, the Federal Election Commission is confronted with some of the most complex and important problems and legal issues facing the campaign finance community. I am talking about soft money, foreign national money in U.S. elections, bank loans financing Presidential elections, and independent expenditures, only to mention a few.

WORKLOAD

Let me close out by giving you just one example of how some of this impacts on our budget. In 1980, one week before the general election, one individual spent many, many thousands of dollars, substantial amounts of money, running full-page ads in newspapers expressly advocating the defeat of a Presidential candidate. This individual reported or disclosed absolutely nothing. A complaint was filed, and let me point out that that individual had every right in the world to make independent expenditures and to spend unlimited amounts of his own money. However, he did not report any of this. He resisted, and he fought with very sophisticated and able counsel, at every turn, the Federal Election Commission. That case went through every level of the courts from the district court, a series of appeals, rehearings, and we are just now, probably in the next month, finally closing that case out.

Senator DECONCINI. Did you win the case?

Mr. MCGARRY. Yes; we did, we prevailed, fortunately. But the whole area of——

Senator DECONCINI. Can you tell us the case for the record?

Mr. MCGARRY. Yes; *Federal Election Commission* v. *Harvey Furgatch,* involving President Carter's campaign for reelection.

Senator DECONCINI. Thank you.

Mr. MCGARRY. He ran the full-page ads 1 week before the general election.

In any event, there are many, many more examples of very substantial cases, complex, difficult issues, time-consuming, expensive—the National Organization of Women, the National Rifle Association, Common Cause—and many others. But all of these make our workload truly demanding and complex, and above all, all of these are critically important to the entire electoral process.

So Mr. Chairman, I know it is late, and we are all available for questions. I will say in conclusion that I personally believe that what we do is very important work. And as I pointed out earlier, we have had extensive contacts and exchanged a great deal of important election information with our counterpart in the Soviet Union. This exchange has been brought about because of the total commitment on the part of the commissioners that I am fortunate and privileged to be serving with, who really give freely of their time and go over and above what is required of them in their position.

Thank you, Mr. Chairman.

PREPARED STATEMENT

Senator DECONCINI. Mr. McGarry, thank you. We will insert your complete statement in the record.

[The statement follows:]

STATEMENT OF JOHN WARREN MCGARRY

Mr. Chairman, as Chairman of our Finance Committee, it is my responsibility to represent the Commission before its authorization and appropriations committees in support of our fiscal year 1991 budget request. This year my task has been made easier because the Commission and OMB have reached agreement on the fiscal year 1991 request for the Commission. We had originally submitted a request for $18,679,000 and 280.8 FTE (full time equivalents or staff years) to OMB on September 1, 1989. Because we concurrently submit our request to the Congress and the OMB, you have, of course, seen that original request. After negotiation, we agreed on a figure of $17,150,000 and 266 FTE. That is contained in the President's Budget as transmitted to Congress, and we support that request.

The request for $17,150,000 and 266 FTE represents a base level of funding which we feel is necessary to enable the FEC to properly address its work with regard to the 1990 Congressional elections, and to prepare for the 1992 Presidential elections. The Commission must receive the staff requested, and the funds to support that staff, if we are to successfully promote full public disclosure of campaign finance activity in the 1990 elections and to enforce the Federal Election Campaign Act.

Our written justification lays out the challenge the Commission faces in keeping up with the growth in overall campaign finance activity. I will touch on that challenge in a moment. However, I want to talk about something that is less quantifiable than the amount of money spent in federal elections, or the Commission's workload.

THE FEC'S MISSION AND DEMOCRATIC REFORMS IN THE WORLD TODAY

Since the late 1970's, the FEC has been called upon to educate election officials throughout the world about the American electoral system. Since the conduct of elections is largely a state and local matter, there was no federal agency to which other nations could look to learn about the American political model until the Commission was created. While no such international role is specified in the Act, we have gladly shared our expertise with both established and emerging democracies. As more countries adopt laws governing political campaigns, their interest has expanded from election administration to campaign finance regulation also. Literally dozens of foreign delegations visit the FEC each year.

Last year, world events focused new attention and educational demands on the Commission. The Soviet Union created its Central Election Commission and sought contact with the FEC for technical exchanges. As you know, a delegation from the FEC visited the Soviet Union in June and we hosted a return delegation from the Soviet Union last November. This is exciting and important work. Other eastern European countries may also solicit assistance in the near future.

We all hope that the movement toward establishing permanent democratic institutions in eastern Europe continues. The mechanisms of electoral and campaign processes, however, are every bit as important to a democracy as is the underlying philosophy. Unless governmental mechanisms provide for fair campaigns and elections, the competing factions and the people themselves can grow disillusioned and the systems can collapse.

Until now, we have been able to undertake educational exchanges with minimal expenditure of government funds. Our travel to and from the Soviet Union was covered by foundation funds and our travel within the USSR was paid by the Soviet government. Foundation funds also provided for the domestic travel of the Soviet delegation to the United States during last year's elections in Virginia and New York City. This budget assumes that nonfederal funds will continue to finance any efforts in this regard.

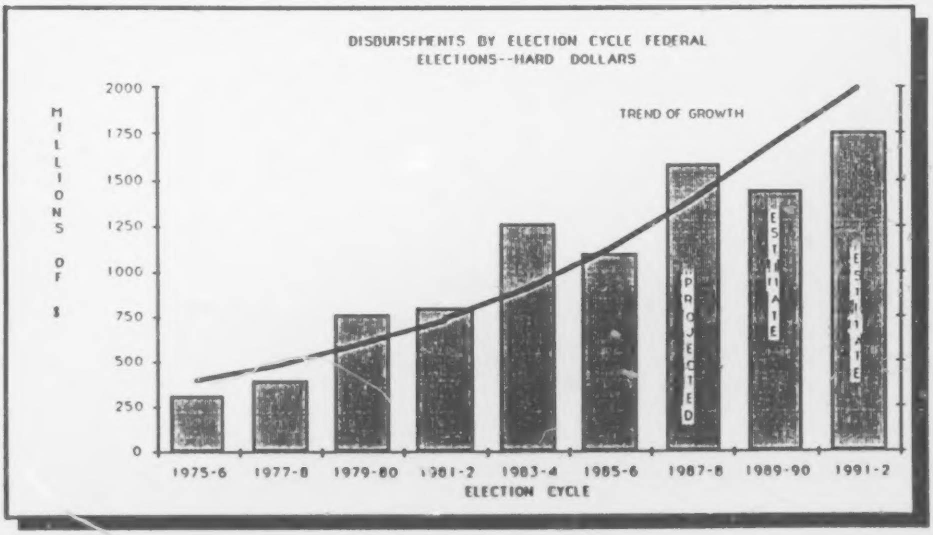
REPRESENTATIONAL FUNDS

We do, however, seek this Subcommittee's concurrence to earmark $5,000 within our proposed appropriation for official representational expenses. Almost every visiting delegation brings with it a token gift from their country as an expression of appreciation. Every group we have visited extends similar gifts to the Commission and routinely offers their hospitality. Here, we seek only the line item authority to set aside a small sum with which we can reciprocate the hospitality of foreign and state delegations. Again, we seek no new funds, only the authority to set aside a small amount for this representational purpose.

FEC WORKLOADS—FUNDS TO ACHIEVE OUR MISSION

With respect to the Commission's primary mission and the workload we face, the amount of money involved in campaign finance continues to grow. Certain sectors and committees may show fluctuating finances, but the overall amount reportable to and regulated by the Commission continues to increase. The total disbursements for federal candidates in 1986, the last congressional election cycle, were about $1.1 billion and we project about $1.45 billion for 1990, based on the 1988 cycle total of $1.6 billion and past history. This represents about a 32 percent increase.

FUNDS DISBURSED BY POLITICAL COMMITTEES BY ELECTION CYCLE FOR FEDERAL ELECTIONS--HARD MONEY REPORTABLE TO THE FEC



This increase in money means an increase in many aspects of the Commission's workload, including reports filed and itemized transactions entered into the Commission's disclosure data base, despite the number of candidates remaining fairly stable from one election cycle to the next.

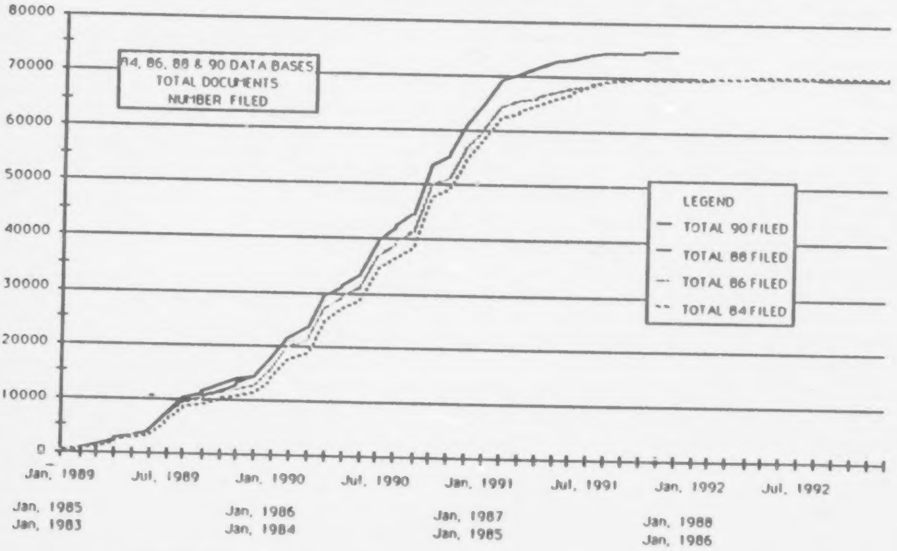
INCREASES IN FEC WORKLOADS—1984 TO 1988 ELECTION CYCLES

Number of reports filed—7.3 percent increase
Number of transactions entered into the data base—36.3 percent increase

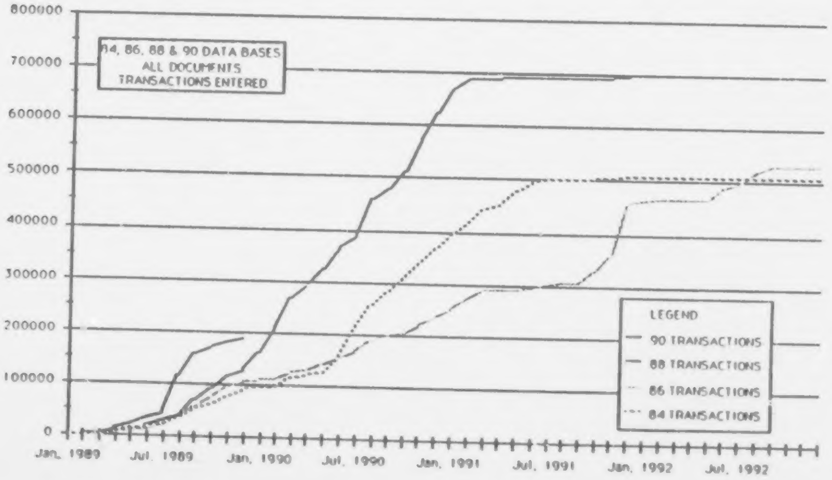
Number of requests for information from the FEC—8.9 percent increase

We expect similar increases from the 1986 cycle to 1990, and we further expect the 1992 cycle to show increases over 1988.

DOCUMENTS FILED WITH THE COMMISSION BY ELECTION CYCLE
FOUR-YEAR PERIODS FOR EACH ELECTION CYCLE



TOTAL ITEMIZED TRANSACTIONS ENTERED INTO FEC DISCLOSURE DATA BASE BY ELECTION CYCLE--FOUR-YEAR PERIODS PER ELECTION CYCLE



Fiscal year 1991 encompasses work on both the 1990 and 1992 elections. The actual 1990 general elections take place in fiscal year 1991, yet we also have to begin preparing for the 1992 presidential elections. Our estimates are that the 1992 elections should involve between $1.75 and $2.0 billion in disbursements for federal candidates. Even though the 1988 presidential elections were open races for both presidential nominations, and the 1992 race may only be open on the Democratic side, past history indicates at least a modest increase in activity from 1988. Spending in presidential elections has steadily increased each election, even allowing for incumbents in at least one party.

INCREASES FROM 1984 TO 1988 PRESIDENTIAL ELECTION CYCLES

Total disbursements in presidential elections—77.3 percent increase
Total disbursements in presidential primaries—133.4 percent increase
Total contributions submitted for matching—68.7 percent increase
Total matching funds disbursed—84.8 percent increase
Total submissions certified by Commission—55.2 percent increase

As these figures reveal, overall campaign finance activity is clearly increasing. Our figures for the 1990 cycle so far indicate that the growth in spending continues for the 1990 election cycle over spending in both the 1986 congressional elections and the 1988 presidential election.

FEC AUDITS OF PRESIDENTIAL PUBLIC FUNDING

While we wrap up the 1988 elections audits and investigations, the Commission is already reviewing policies and procedures to prepare for the 1992 elections. This request would provide adequate resources to both conclude the 1990 election cycle and to prepare for the 1992 presidential and congressional elections.

One area of significant concern for the Commission is the program of audits of public funds disbursed and expended by the qualified presidential candidates receiving them. In 1980, the Commission authorized a ceiling of 42 FTE for the Audit Division, with actual strength exceeding 36 FTE for most of the cycle. Due to budget cuts and legislative curtailment of discretionary or non-presidential audits, the Commission reduced the size of its audit staff. In 1984 and 1988, the Commission implemented the public funding programs with a core staff of 24 FTE, supplemented by temporaries to assist in the certification process. We also received the generous support of a non-reimburseable detail of five GAO auditors for 18 months.

While this system worked well in 1984, it was not as effective in 1988. The audits for the 1988 cycle will not be as timely as in 1980 or 1984. We believe that the Audit Division needs more experienced, trained auditors in-house for the program to function successfully. Therefore, we have requested six additional FTE to build the core staff up to 28 FTE by 1991. We still plan to use temporaries in 1992, as well as assistance from the GAO, but the core staff will be larger. This will help to restore the timeliness of the presidential audits. Failure to have sufficient permanent staff on board and trained by 1992 could delay the audits of presidential candidates for that election cycle.

FEC ENFORCEMENT PROGRAMS

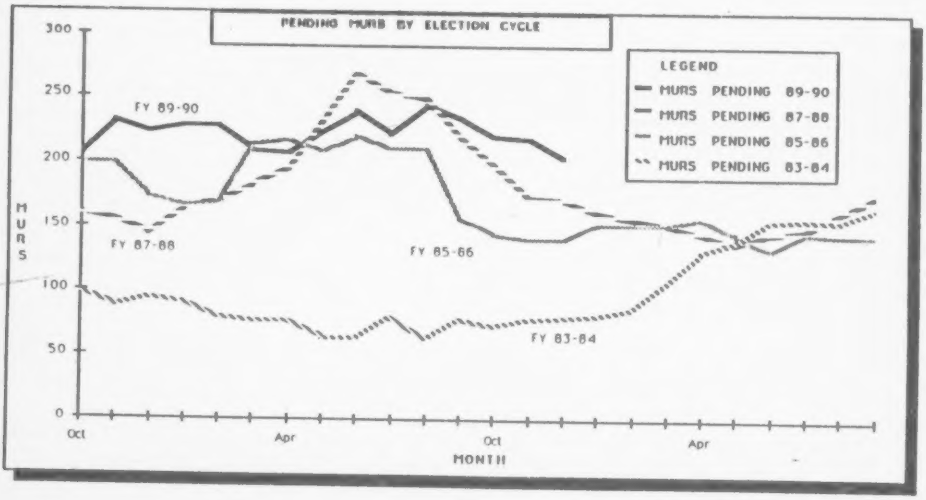
With regard to enforcement, the workloads also show increases from election cycle to election cycle. The following indicators reveal this increase.

ENFORCEMENT ACTIVITY FOR TWO-YEAR PERIODS—FISCAL YEARS 1983-1984 COMPARED TO FISCAL YEARS 1987-1988

Open (Active) Cases at end of cycle—173 to 163 (6.1 percent increase)
Cases closed during cycle—426 to 267 (60 percent increase)
Open Cases as of: December 31, 1989—201 (45 percent increase over 1985, 18 percent increase over 1987); December 31, 1987—171; and December 31, 1985—139.

Although the highest active caseload (267 open Matters Under Review or MUR's) occurred during fiscal year 1987-1988, the Commission opened the fiscal year 1989-1990 cycle with a higher caseload than the previous three election cycles, and the caseload has remained above 200 for the entire cycle so far. These trends indicate an even higher caseload for the 1992 cycle. In order to remain on top of this caseload, the Commission requires the funds requested, to ensure the continuation of the fourth enforcement team established in fiscal year 1989. We are also requesting four additional staff from previous election cycles to meet the demands of this increased workload. Without the staff requested for fiscal year 1991, the Commission could well suffer a set back in the timeliness of enforcement case resolution. The Commission recognizes that the Congress is concerned about timeliness of enforcement matters, and therefore wishes to maintain sufficient staffing levels to allow the enforcement process to function smoothly.

FEC ACTIVE ENFORCEMENT CASES (MUR's) BY TWO-YEAR PERIOD



FEC INFORMATION AND DISCLOSURE PROGRAMS—THE COMPUTERIZED DISCLOSURE DATA BASE

In addition to providing funds for the audit and enforcement programs, this budget request continues funding for the Commission's very successful disclosure and information programs. The FEC's Public Records Office and the computerized disclosure data base receive high reviews from the public, the media, academia, and the political community. The Commission makes a high volume of data available to the public in a timely and usable fashion.

The Information and Press programs also are well received, and assist the media and the public in accessing and understanding the Act and Commission regulations and rulings. Part of this educational effort involves a series of campaign finance workshops and seminars, the tollfree 800 phone lines, and numerous informational publications.

The Commission's Clearinghouse on Elections Administration makes available the results of FEC-sponsored research to election officials on such topics as absentee ballots, voter registration, and reprecincting. The Commission has just released the final voluntary Voting Systems Standards after many years of research.

The Commission's computerized disclosure data base supports not only all these efforts, but also the Commission's program for State filing office access to our data base (the State Access Program), and the ability of users to tap directly into the data base (the Direct Access Program.)

This budget request includes funds for the continuing data entry of all statutorily disclosed contributions of $200 or more. The Commission began such entry for the 1990 election cycle in fiscal year 1989. Prior to fiscal year 1989, entry was performed only for contributions of $500 or more. The funds were not available to perform the $200 to $500 contributions data entry until the 1990 election cycle. This budget request continues that effort, and maintains the high level of timeliness achieved for all itemized data entry by the Commission.

OFFICE AUTOMATION SUPPORT

The budget request supports the continuing operation of the Commission's office automation system, obtained with the support of this Subcommittee. As the staff becomes fully trained on the new system, we expect to increase our efficiency and productivity. The request includes funds to improve the security of the computer room which houses our main ADP equipment, which has increased with the expansion of the ADP resources of the Commission.

ADEQUATE FUNDING TO SUPPORT 266 STAFF

The FEC is a personnel intensive agency (70 percent of costs go directly for personnel salaries and benefits.) Unfortunately, the Commission has been forced to reduce staffing levels the past two fiscal years to cover nondiscretionary increases in health insurance, retirement, and basic payroll costs due to unfunded pay increases and general budget restrictions. The Supplemental Appropriation you approved in fiscal year 1989 recognized this chronic problem. While the Commission has attempted to maximize staffing levels, the cuts have been necessary to avoid budget overruns. To avoid staff reductions, support functions have been trimmed whenever possible to increase staffing. This request attempts to ensure proper support for the staff requested, including training, travel, printing, and equipment and supplies.

This request reflects the fact that the Commission's continued forced absorption of pay raises, health insurance costs, retirement costs, and basic overhead costs such as phones, postage, and similar items, as well as the establishment of an Inspector General's office, can not be carried forward from year to year without serious adverse impact on the Commission's programs.

PRESIDENTIAL FUND STATUS

An aspect of the public funding process which requires immediate attention is the state of the Presidential Election Campaign Fund which, through the income tax check-off, provides public funds for qualified presidential candidates. Our latest projections indicate that the Fund will not be adequate to cover the 1996 elections. This potential shortfall may also effect the 1992 presidential elections.

A primary candidate's entitlement to matching funds and the outright grants for the general election candidates and the party conventions are adjusted for inflation. There is, however, no corresponding adjustment to the funding mechanism. The dollar option that first appeared on the tax return in 1973 remains but one dollar today. While participation in the check-off continues to decline, the primary factor in the impending imbalance is the rate of inflation.

The attached table sets forth the historical data and the assumptions that lead us to the conclusion that the shortfall may occur as early as 1992. If the rate of inflation over the next two years averages 4.5 percent or more, the Secretary of the Treasury may be unable to provide presidential primary candidates with their full entitlement in 1992.

FUND ACTIVITY ACTUAL AND ESTIMATES 1973-1997

Using Inflation of 4.5% 90-97
Revised 1/30/90 RH

FISCAL YEAR	ACTUAL RECEIPTS	COLA	DISBURSEMENTS	REPAYMENTS	BALANCE ACTUAL REC
derived 1973	$2,427,000	1 0000	$0	$0	$2,427,000
derived 1974	$28,058,222	1 0000	$0	$0	$30,485,222
1975	$31,656,525	1 0910	$2,590,502	$0	$59,551,245
R derived 1976	$33,721,935	1 1540	$69,467,521	$0	$23,805,659
1977	$36,606,008	1 2290	$521,124	$1,037,029	$60,927,572
1978	$39,246,689	1 3230	$6,000	$163,725	$100,331,986
1979	$35,941,347	1 4720	$1,050,000	$23,474	$135,246,807
1980	$38,838,417	1 6710	$101,427,116	$1,094,098	$73,752,206
1981	$41,049,052	1 8440	$630,256	$202,288	$114,373,290
1982	$39,023,882	1 9570	$1,070	$58,400	$153,454,502
1983	$35,631,068	2 0200	$11,786,486	$21,899	$177,320,983
1984	$35,036,761	2 1060	$120,149,768	$505,807	$92,713,783
1985	$34,712,761	2 1810	$1,617,842	$61,840	$125,870,542
1986	$35,753,837	2 2230	$5,596	$61,641	$161,680,424
1987	$33,651,947	2 3050	$17,784,000	$357,307	$177,905,678
1988	$33,013,987	2 3990	$158,560,805	$103,500	$52,462,360
1989	$32,285,646	2 5138	$1,843,017	$22,024	$82,927,013
EST FOR 1990	$31,835,646	2 6269	$200,000	$2,101,117	$116,663,776
EST FOR 1991	$31,385,646	2 7451	$21,015,200	$0	$127,034,222
EST FOR 1992	$30,935,646	2 8686	$158,171,837	$0	**($201,969)**
EST FOR 1993	$30,485,646	2 9977	$2,198,583	$2,103,807	$30,188,901
EST FOR 1994	$30,035,646	3 1326	$55,000	$0	$60,169,547
EST FOR 1995	$29,585,646	3 2736	$25,060,800	$0	$64,694,393
EST FOR 1996	$29,135,646	3 4209	$225,387,075	$0	**($131,557,036)**
EST FOR 1997	$28,685,646	3 5748	$2,617,483	$0	**($105,488,873)**
TOTAL	$808,740,252		$922,147,081	$7,917,956	($105,488,873)

NOTES:

ACTUAL RECEIPTS TOTALS PER CALENDAR YEAR AS REPORTED BY TREASURY UNLESS OTHERWISE NOTED, EXCLUDES REPAYMENTS

ESTIMATED RECEIPTS 1990-1997 ASSUMES A DECLINE OF $450,000 PER YEAR BASED ON AVERAGE TREND PER CALENDAR YEAR 1983-1989

COLA B1974 ANNUAL AVERAGE WITH BASE YEAR 1974 = 100
MULTIPLIER FOR CALCULATING CONVENTION AND GENERAL ELECTION PAYMENT AMOUNTS

DISBURSEMENTS GROSS PAYOUTS PER TREASURY REPORTS OR ESTIMATES

REPAYMENTS REPAYMENTS RECEIVED PER TREASURY REPORTS OR ESTIMATES

We are seeking to coordinate a public education program with the Internal Revenue Service to inform taxpayers and their accountants about the income tax checkoff system. Funds from our fiscal year 1991 budget request, if fully enacted, would be spent on a modest educational program. We will also institute a rulemaking proceeding to devise a formula by which public funds would be pro-rated among the primary candidates if necessary. Our objective in this process is to find an equitable means of allocating these funds which would not distort the process to the advantage or disadvantage of any candidate.

CONCLUSION

I have attempted in my brief testimony to touch on the highlights of this budget request. It is our belief that a strong, well-funded Federal Election Commission is a critical part of the United States' political process, which is increasingly becoming a model for new democracies. It would be a tragedy if part of the process failed due to lack of sufficient funding. While the Commission recognizes that there is much discussion and controversy over campaign financing and the need for reform, we strongly urge that reforms will not succeed if there is not an adequate foundation on which to build. This budget request provides for sufficient staff in enforcement, disclosure, information, and audit to enable the Commission to meet its mission. It also provides sufficient support for that staff to carry out their duties. Finally, it provides some funding to address a problem with the public funding of presidential elections. I request full funding of our request for $17,150,000 and 266 FTE staff, which is in agreement with the President's request for the FEC. I thank this Subcommittee for its past support of our efforts, and for the opportunity to appear today and present our case. My colleagues and I are ready to respond to any questions you may have.

INDEPENDENT EXPENDITURES

Senator DECONCINI. Mr. McGarry, thank you.

The case you point out took so long. Are there thousands, or hundreds—how many of such cases do you have pending that are contesting the independent expenditures?

Mr. MCGARRY. We have pending now 43 cases in Federal courts throughout the United States. I would say, however, that was clearly a very unusual case, no question about it.

Senator DECONCINI. Can you supply the committee with information on independent expenditures?

Mr. MCGARRY. On everything; across the board?

Senator DECONCINI. I am interested in the independent expenditures or so-called soft money. We are doing campaign finance reform in the Rules Committee today and in the next couple of weeks. Can you supply us with just the names, without any comments, just so we know which ones they are?

Mr. MCGARRY. Certainly. It would be no problem, Mr. Chairman, because you know there is a confidentiality clause——

Senator DECONCINI. Yes.

Mr. MCGARRY. But once it is filed in court, then it is a matter of public record.

Senator DECONCINI. All I want to know is how many there are, who the principals are, and do you also have records—without having to take a tremendous amount of time from your operation—of how many you have had over the history of the Commission of independent expenditures on which you have had to enforce the law?

Mr. MCGARRY. Yes.

Senator DECONCINI. OK. I'd like to see that because we are trying to wrestle with how to control or better enforce some of these things in the reform of campaign financing.

[The information follows:]

INDEPENDENT EXPENDITURE CASES

1. *FEC* v. *AFL-CIO,*Civil Action No. 77-2147 (D.D.C. Aug. 16, 1982).
2. *FEC* v. *American Federation of State, County and Municipal Emp.*, 471 F.Supp. 315 (D.D.C. 1979).
3. *FEC* v. *American Medical Political Action Committee,* No. 77-C-2422 (D.D.C. April 3, 1979).
4. *FEC* v. *Americans for Change; Common Cause* v. *Harrison Schmitt,* 512 F.Supp. 489 (D.D.C. 1980) (three-judge court), *aff'd by an equally divided court,* 455 U.S. 129 (1982), *petition for further relief denied,* (D.D.C. Oct. 19, 1983) (three judge court) (unpublished opinion).
5. *FEC* v. *Central Long Island Tax Reform Immediately Committee,* 616 F.2d 45 (2nd Cir. 1980) (en banc).
6. *FEC* v. *Citizens for the President '84,* Civil Action No. 87-619-A (E.D.Va.).
7. *FEC* v. *Franklin,* 718 F.Supp. 1272 (E.D.Va. 1989).
8. *FEC* v. *Furgatch,* No. 83-956-GT-(M) (S.D. Cal. 1984) (unpublished opinion), *rev'd,* 807 F.2d 857 (9th Cir.), *cert. denied,* 108 S.Ct. 151 (U.S. Oct. 5, 1987), *on remand,* 869 F.2d 1256 (9th Cir. 1989).
9. *FEC* v. *Massachusetts Citizens for Life, Inc.*, 589 F. Supp. 646, (D.Mass., 1984), *aff'd,* 769 F.2d 13 (1st Cir. 1985) *aff'd,*479 U.S. 238 (1986).
10. *FEC* v. *National Conservative Political Action Committee,* 647 F.Supp. 987 (S.D.N.Y. 1986).

11. *FEC* v. *National Conservation Political Action Committee* and *Democratic Party of U.S.* v. *National Conservative Political Action Committee,* 578 F.Supp. 797 (E.D. Pa. 1983) (three judge court) *aff'd in part, rev'd in part,* 470 U.S. 480 (1985).

12. *FEC* v. *National Conservative Political Action Committee,* Civil Action No. 85-2898 (D.D.C. April 29, 1987) (unpublished opinion).

13. *FEC* v. *National Rifle Association of America,* 553 F.Supp. 1331 (D.D.C. 1983).

14. [1] *FEC* v. *National Rifle Association of America,* Civil Action No. 85-1018(JGP) (D.D.C. filed Mar. 29, 1985).

15. *FEC* v. *National Right to Work Committee,* 501 F. Supp. 422 (D.D.C. 1980), *rev'd,* 665 F.2d 371 (1981), *rev'd,* 459 U.S. 197 (1982), *on remand,* (D.C. Cir. 1983).

16. *FEC* v. *Northwest Jersey TRIM,* Civil Action No. 78-2025 (D.N.J. May 31, 1979).

17. [1] *FEC* v. *National Organization for Women,* Civil Action No. 87-2269(BP) (D.D.C.), *appeal peding,* No. 89-5230 (D.C.Cir. notice of appeal filed July 10, 1989).

18. *FEC* v. *Phillips Pub., Inc.,* 517 F.Supp. 1308 (D.D.C. 1981).

19. *FEC* v. *Larry Sanderson,* No. CV-85-7372 (C.D.Cal Mar. 3, 1986).

20. *FEC* v. *Spotlight,* Civil Action No. 77-0195 (D.D.C. Jan. 26, 1978).

21. *FEC* v. *Spotlight,* Civil Action No. 78-1544 (D.D.C. June 28, 1982).

22. [1] *FEC* v. *Survival Education Fund, Inc.,* No. 89-Civ-347(TPG) (S.D.N.Y. filed Jan. 17, 1989).

---

[1] Cases that are currently pending.

PRESIDENTIAL ELECTION CAMPAIGN FUND

Senator DeConcini. Let me just ask you one question, and I'll submit a few for you. Last year for fiscal year 1990, we had a big discussion about a couple hundred thousand dollars I think it was for the Ad Council initiation fee for you to get involved in. I see here you are going to do an information campaign next year, and I think you have $116,000 budgeted for that. Is that in anticipation of how you might come up with an advertising or informational program to get people to participate in the checkoff system?

Mr. McGarry. Chairman Elliott will certainly address that, but it will do a variety of things. One of the things, it will try to give us some insight as to what the problem is.

Senator DeConcini. Do you mean that is what the survey is going to do?

Mr. McGarry. Yes.

Senator DeConcini. OK.

Mr. McGarry. But Chairman Elliott has been doing a great deal of work on this very specific subject.

Senator DeConcini. Yes, Chairman Elliott?

Ms. Elliott. When we had that in our budget the last time, it was an add-on to our base. We didn't get any add-on money, so we were not able to do that.

Senator DeConcini. I know you didn't.

Ms. Elliott. As time passes, and the 1992 elections get very close, the amount that we have set aside for this program is a drop in the bucket if we hope to influence the public in any way. We will use the resources available to us—our own publications—to provide as much outreach as we can.

Senator DeConcini. Is that what this informational campaign is about?

Ms. Elliott. That's right. It's just to take advantage of the ways that we can get to the public.

Senator DeConcini. So it might help you in the event you decided you wanted to try to go with the Ad Council approach.

Ms. Elliott. Yes.

Senator DECONCINI. But you won't know until you get the facts.

Ms. ELLIOTT. We'd love to do it; we'd love to experiment particularly with the research to see what research would tell us about the problem.

Senator DECONCINI. So you may come back before us for an add-on if in fact your informational campaign led you to that decision that the Commission would make.

Ms. ELLIOTT. Yes.

Senator DECONCINI. I'm going to submit the balance of my questions.

Senator Domenici.

Senator DOMENICI. I just have two. Last year when we talked about the IRS and the language that's on the 1040 and the other forms, I think we had an exchange, and the suggestion was that you meet with IRS and have discussions about how they might help with reference to the language that is on the IRS return. We have it here in front of us, and it is not very exciting, but I don't know that you can make it exciting.

Did you have such meetings, and if so were they constructive?

Ms. ELLIOTT. To my knowledge, such meetings were not held last year. However, such meetings are scheduled at the moment. So we will be meeting with them. We won't be able to affect this year. I'm not even sure that we will be able to affect next year. And all the people who are making those decisions have changed since last year.

Senator DOMENICI. I don't want to burden this issue, but why did the year get wasted? Was it their fault, your fault, or what happened?

Ms. ELLIOTT. I don't know.

PUBLIC FINANCING

Senator DOMENICI. OK. Let me ask this. Frankly, I am of the opinion whether one agrees or disagrees with the current Federal Election Commission's work, or whether we agree or disagree with public financing of the Presidential campaigns, that probably so long as we have you in existence and charge you with a mission, we ought to give you the money to do the job. So I'm not on the side of strangling you by underfunding you when we have commissioned you to do work, especially since it might lead to targeted-type activities, or people will fall through the cracks and get away with things, and others won't. So I want you to understand that by way of background.

Having said that, let me ask you do you think public financing of the Presidential campaigns is, under the whole set of circumstances that we have today, working as we thought it was going to work when we adopted it? Now let me preface it by saying that I have heard from a number of people who know a lot more than I that it is a far cry from what we thought when we funded it. It is not the type of financing we intended. The public part is much less than we had expected; the funding going on around the outside of it that is totally legal is more or less out of control. Those are some people's estimates and appraisals of the situation.

What is yours, both chairman and vice chairman?

Ms. ELLIOTT. I'll say yes and no. Yes; the Commission's role in the financing mechanism is working. We provide an amazing amount of service to Presidential candidates, and when they get the matching money, it is matched quickly, very quickly, under our rules. We have it ready and are able to give both parties their convention money.

As far as the mechanics of financing the general election, the check goes to the winning candidate at the convention, the nominee, within a week following.

Our role in it is working well, with one exception, and that is in the scheme of things there was a portion of the act that calls for State-by-State limitations as to what Presidential candidates can spend per State. Now, it costs those campaigns a tremendous amount to break all their costs down per State. And then we hear of the little tricks in the paper about using a motel in Montana to go to someplace in Colorado or so on—let me say Illinois to Missouri or to Indiana—so that they keep in conformance with the act and the regulation. This is a tremendous strain. But it is equally a strain on us.

If we didn't have that, we could cut our costs substantially in the audit field, and perhaps in the compliance field, too.

Now, it is my understanding that one of the reasons that that was in there was the thought that the campaigns would just be held in the 10 biggest States that had electors. That isn't where it is happening. It is happening in the early primaries. That happens to be New Hampshire and Iowa.

So the realities of politics have not gone along with the emphasis in the act, and we have asked on several occasions as a body, through our legislative recommendations, to be relieved of that responsibility both for the candidates and for our auditing responsibility.

Senator DECONCINI. Mr. McGarry, would you give the same answer, yes or no, and give the same description?

Mr. MCGARRY. I'll give you a very brief answer. It is my personal opinion, I believe public financing is working. It is a highly politicized issue in some respects. I view your question as one that is two-sided in the sense that the technical administration of it, I think, is handled superbly by the Federal Election Commission. In the campaign finance community, is it working in the field of financing, I think it is; I think it is working superbly, with one big problem, and that is the problem of soft money. And I don't think the problem of soft money is as bad as it is portrayed to be. One of the things that we are going to correct and that I have been totally in favor of, personally, is total disclosure, to get everything on the record, and then we'll at least find out.

Right now we don't know the depth of what the problem really is because we're not getting disclosure on it.

SOFT MONEY

Senator DECONCINI. When you use soft money and when I use it, it is not the independent campaign type that has been alluded heretofore in the discussion——

Mr. MCGARRY. Right.

Senator DeConcini. Do you really think you have authority to cause to be disclosed everything that comes within the rubric of soft money in a Presidential campaign?

Mr. McGarry. No; I do not, Senator. It is my own personal opinion that we do not have the authority or jurisdiction to require State and local committees, that are not registered with us or have any business with us. They are receiving soft money, and they are doing registration and get-out-the-vote drives. There is no question in my mind that that is benefiting Presidential candidates.

I had a woman come up to me in California at a Federal Election Commission conference and say, "You people are a joke. I can't understand what's going on. My husband and I were solicited for $100,000 for Michael Dukakis."

And I said, "Mr. Dukakis?"

She said, "No, Bob Farmer."

I said, "Well, he is an authorized agent. Did you make the check out to him?"

She said, "No."

I said, "Well, who did you make the check out to?"

The California Democratic State Committee—a non-Federal committee that has nothing whatever to do——

Senator DeConcini. You would never know about that.

Mr. McGarry. No, no.

PUBLIC FINANCING

Senator Domenici. The point I make—and I don't have the numbers here, so I can't argue with you—but I understand there is a good statement being developed, based on facts, that the public financing part of this is almost irrelevant to the total expenditures being made. And I guess in that context, one has to wonder whether it is working. I mean, the mechanics are working—you have the money there; the chairman has explained we give them the money, and I would imagine it works best in a primary when six or eight people are running. They love it because that helps them get their money.

But I'm talking about the Presidential. You are in the general now, and I understand what you distribute as their share is really insignificant in comparison to what is being spent, and what is being spent is unregulated other than by States and a little bit here and there. And if that is the case, we are going to have a hard time convincing people that the public financing part is as important as we once thought it was.

Yes?

Mr. McGarry. What has come out of the soft money problem, in my opinion, mainly because we don't know what is going on—I don't think anybody knows, really, the depth of it—and as a result there has been an erosion of public confidence and a developing disrespect for public financing.

Senator DeConcini. I agree.

Ms. Aikens, do you have anything you want to say?

Ms. Aikens. No, Mr. Chairman.

Senator DeConcini. Yes; Chairman Elliott?

SOFT MONEY

Ms. **ELLIOTT**. I will just say that the law as it now stands requires these committees that engage in registration and get-out-the-vote activities, that are for the benefit of both Federal and non-Federal candidates, must allocate the funds from their Federal account or their soft dollar account on a reasonable basis.

The courts have suggested that that is not sufficient guidance, and they have told us that we must say what a reasonable basis is, or come close to it—something that is equitable.

We have had days of hearings on this; we have had days and days and days of discussion on it and regulatory sessions on it, and we are getting very close. And I will guarantee you that this year won't be out before we have those in place, nice and clear so everybody can understand it.

It is basically a problem of the party committees, not others.

SUBMITTED QUESTIONS

Senator **DECONCINI**. Thank you very much for your testimony. We'll submit some questions for you.

Senator **DOMENICI**. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

OVERVIEW

Question. As you pointed out in your statement, for fiscal year 1991 you are requesting $17,150,000 and 266 FTE positions. This amount represents an increase of $1.820 million and 13 FTE's over the FY 1990 enacted level of appropriations. We are pleased to see that this year you were able to reach agreement with OMB on your '91 funding requirements. Your statement indicates that the '91 increases are necessary to gear up for the increase in audits associated with the 1990 congressional elections and the upcoming presidential election in 1992. If congress enacts campaign finance reform legislation this year, would this reduce the amount of audit activities associated with congressional campaigns or would this increase your workload requirements?

Answer. The major focus of the additional six positions in the Audit Division requested for FY 1991 is to prepare for the 1992 presidential public funding certification and auditing process. There are no provisions in the FY 1991 request for additional duties resulting from any campaign finance reform measures. Therefore, depending upon the nature of any legislation enacted, additional resources will be required. It is assumed that any enacted legislation will involve more audit activity, especially if any public funding provisions are included. It is a standard assumption that changes in the FECA which create new provisions for reporting and/or new limits on activity creates the potential for violation of the law, leading to more referrals for either enforcement or audit.

1990 PROGRAM

Question. Due to pay absorption and sequestration in 1990, I notice that you were unable to achieve your proposed staffing level of 253 FTE positions. Instead, you funded a level of 248 FTE's. Was the staffing reduction taken in initiatives that you planned for FY 1990 or did you have to make reductions in your base programs?

Answer. The necessary reductions in FY 1990 precluded any initiatives for FY 1990, including any educational efforts for the presidential public funding programs. We also were forced to reduce base staff, despite making all possible non-personnel trims before reducing staff across-the-board. Therefore, all offices have been instructed to reduce staffing below desired base levels in FY 1990. The Commission had received an additional 13 positions for FY 1988 and 1989 to handle the workload for the 1988 presidential elections, which were not funded in FY 1990 before any other absorptions were necessary. The Commission actually expended about 252 FTE in FY 1989, so a ceiling of 248 in FY 1990, self-imposed due to the necessary absorptions, is a reduction from FY 1989 levels.

Question. Are these positions being restored in your proposed FY 1991 budget request?

Answer. The positions lost due to absorptions in FY 1990 are included in the 266 positions requested in the FY 1991 budget request.

Question. What was the total cost of pay and sequestration which you were to forced to absorb in FY 1990, and can you tell the Committee, besides reducing personnel costs, what other reductions you had to make to meet your funding shortfalls?

Answer. The Commission did not have to absorb any sequestration due to the fact that our FY 1989 appropriation contained $1,000,000 for acquisition of our office automation system in FY 1989. This increased the GRH baseline which in turn made the post-sequestration amount for FY 1990 above our actual FY 1990 appropriation. However, the Commission did have to absorb $274,000 for the January 1, 1990 pay raise, as well as $45,000 in increased health insurance costs for employees. This required the lapse of 5 positions, plus reductions in training, travel, printing, publications, supplies, and most importantly, Clearinghouse research contracts and equipment replacement. The Commission fortunately did not have to absorb any across-the-board cuts due to the drug program funding, thanks largely to the efforts of the Commission's Appropriations Committees; this enabled us to restore some original cuts in the training budget.

PERSONNEL/WORKLOAD

Question. Despite the absorptions in FY 1990, I am pleased to see that your justification states that with the increased staffing given the agency in recent years, you have been able to achieve your increasing workload requirements. Do you feel confident that the funding level requested in FY 1991 will permit you to maintain progress and meet the next fiscal year's workload?

Answer. The Commission was fortunate to win an increase of 13 FTE positions for FY 1988 and 1989 to cover workload resulting from the 1988 presidential elections. We also received support from both OMB and Congress for a fourth enforcement team for FY 1989 and 1990. However, uncertainty over funding levels in both FY 1988 and 1989, often well into each fiscal year, precluded the Commission from staffing up as quickly as desired. This uncertainty continued in FY 1990, and we also had to absorb pay increases in FY 1988-1990. This Committee was most helpful in obtaining a supplemental appropriation in FY 1989 for the Commission. Nevertheless, the absorption of pay, health insurance and retirement costs has nullified hiring the additional staff somewhat. With the exception of the Executive pay raise and half of the January 1, 1991 pay raise, the Commission's FY 1991 budget request fully funds 266 FTE and the proper support necessary for those staff.

Absent any unexpected increase in workloads, we are confident that receipt of our full FY 1991 request will enable us to meet our predicted workloads, and to prepare for the 1992 elections. As noted in our request, the additional staff requested in audit and enforcement are crucial here. The funds requested for support are also vital, as well as the funds to maintain current speed of data coding and entry of data into the disclosure data base. However, the budget requested maintains levels of service in the face of rising workloads; it does not allow for marked improvements in enforcement processing, for example.

PRESIDENTIAL ELECTION CAMPAIGN FUND

Question. Your justification indicates that you remain concerned about the lack of taxpayer support for the presidential campaign matching fund contributions. You indicate that there could be a shortfall in 1996 and the reductions could have an impact on the 1992 presidential campaign.

Your recent letter indicates that while contributions to candidates are indexed for inflation, the check-off on the tax forms is not. What are you doing to address this situation? Your letter seems to indicate that you expect the Congress to make the necessary adjustments to forestall a shortfall.

Answer. The Commission is meeting with Administration officials to see what can and should be done to make clearer the options to the taxpayer in regards to the check-off on the form 1040. We are also seeking $116,000 in our fiscal 1991 request to engage in a broad public education program on this subject. It is clear, however, that the imbalance between indexed outlays and non-indexed check-offs is such that any realistic prospects of increased taxpayer participation will not suffice to meet the projected shortfall. Consequently, we are recommending that Congress amend the Revenue Act to make the necessary adjustments. On its face, the logical adjustment would be to index the amount designated on the income tax return form to correspond to the indexing of payments from the fund. There are alternative legislative cures for this problem including having the program funded as an entitlement or subject to annual appropriations. Attached to these responses is a proposal regarding public financing which the Commission submitted to Congress through its annual Legislative Recommendations.

REPRESENTATION FUNDS/ SOVIET UNION TRIP

For FY 1991 you are requesting $5,000 for a representation fund to permit the Commission to host foreign election officials and sponsor conferences on campaign finance and elections. Your justification states that up to this point the Commission has made use of foundation funds for travel to the Soviet Union, etc. for participation in educational exchanges. I have a few questions on this topic.

Question. What foundation provided funding for your Soviet trip?

Answer. The International Foundation for Electoral Systems (IFES) paid for the Commission's travel expenses to and from the Soviet Union. IFES secured the majority of its funds for this purpose from the Charles Stuart Mott Foundation. Support in the nature of professional staff time was also contributed by the American Council of Young Political Leaders. All three of these groups are 501(c)(3) tax exempt organizations. The Soviet government, however, assumed the bulk of the expenses by covering the delegation's travel, lodging and expenses within the Soviet Union.

Question. Why can't you continue to make use of foundation funds for representational purposes?

Answer. Foundation support, such as that provided by the IFES, will still be an option for undertakings involving significant costs for items such as travel. The relatively small sum we seek for official representational expenses, on the other hand, is necessary just to provide food, beverage, and memorabilia of nominal value to the literally dozens of international visitors we receive each year at the Commission and for the many state and local election officials who advise and assist the Commission's Clearinghouse operations. It will also enable us to absorb the luncheon charge at our campaign finance workshops for selected individuals who might not be able to attend these workshops absent a waiver of the registration fees.

Question. Do you have authority to establish a representation fund?

Answer. No. We understand that such authority must be express in the Appropriation Act. We have researched the matter and found the language employed by other agencies for this purpose. This language, adapted to the FEC for fiscal year 1991, would read as follows: "For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, as amended, including, not to exceed $5,000 shall be available for official reception and representation expenses; $17,150,000."

DEMOCRATIC REFORMS IN EASTERN EUROPE

Question. With all the events in Eastern Europe, I can imagine that there will be increased opportunity for U. S. election officials to provide information and assistance to the new governments. Have you had any indication of growing interest in this area.

Answer. Yes. We anticipate further inquiries from Eastern European countries seeking to learn more about the U. S. electoral process. The Soviet Central Electoral Commission appears interested in establishing an ongoing interagency relationship with the Commission. A second round of election-observer exchanges commences this month with a joint state/federal delegation going to observe the republic-level elections in Estonia and Kazakhstan. The Soviet reciprocal visit is planned for the upcoming Congressional general elections in November. In addition, we believe some longer duration exchanges (several months in length) by experienced election officials should provide the in-depth information exchange necessary for both sides to learn about the workings of the other's electoral processes.

On February 28, we were visited by a representative of Czechoslovakia's Civic Forum. Future visits by other former Warsaw Pact nations are likely. Regardless of the political structures that may evolve (parliamentary or presidential), many of the technical issues of election administration and the regulation of political campaigns are common to any democratic system. We believe we can ourselves be of assistance and can also provide our good offices to establish ties between eastern European election officials and their counterparts at the state and local level here in the United States.

PROGRAM INCREASES

AUDIT DIVISION

Question. Your FY 91 budget requests an increase of 6 FTE positions for your Audit Division to respond to the increased audits that you anticipate in the 1990 and 1992 elections. What is the cost for these six positions?

Answer. The cost, assuming a 3.5% pay raise effective January 1, 1991, is $210,000.

Question. Your justification indicates that in the past you have made do with 28 [sic-- 24] FTE, temporary employees, and detailees from GAO. However, the lack of permanent staff has not allowed you to successfully carry-out the job. Can you explain to the committee what problems you encountered to lead you to this conclusion?

Answer. The Commission attempted to complete the public funding programs with 24 permanent staff, 3-4 FTE temporaries, and 5 GAO detailees in 1984 and 1988; in 1980 the Commission had an authorized strength of 42 FTE for the audit staff. In both 1980 and 1984, the Commission completed its responsibilities with regard to public financing in a timely manner. However, the process has not been as successful in 1988. We believe this is partly due to a lack of sufficient trained and experienced audit staff. The lack of sufficient audit staff has also severely limited our ability to perform audits of other committees in the 1988 cycle. On at least two occasions, the Commission has been precluded from initiating an audit due to a shortage of audit staff. The presidential audits will not be completed in as timely a fashion as desired by the Commission. While some delay is due to the nature of the 1988 campaigns and the actions of campaign staffs, it is partly due to lack of enough experienced lead auditors at the FEC. Audit management staff has had to spend considerable time in the field assisting in the performance of audit fieldwork, and in writing audit reports.

Question. I see that in '91 even with the increase in auditors you still intend to use GAO detailees. What if the Committee was to provide only 3 additional full-time staff positions? Wouldn't this provide the experience of on-board staff that you need to undertake the audits and manage the GAO detailees?

Answer. The Commission notes that even the addition of six positions would only bring the Audit staff up to 28 FTE permanent positions, compared with an average of 36 FTE in the 1980 cycle. So, therefore, even with six additional positions, the Commission will require temporaries and GAO assistance for 1992. The number of lead auditors limits the ability to usefully utilize and supervise GAO detailees, who may be qualified auditors, but usually have no knowledge of the FECA and campaign finance. We do not believe that three additional positions, although an improvement over 1988, would be sufficient to bring about the improvement in the timeliness of audits desired.

OFFICE OF GENERAL COUNSEL

Question. In FY 1991 you are requesting an increase of 4 FTE positions for the Office of General Counsel. What are the costs for these positions?

Answer. $180,000.

Question. Last year you requested three additional clerical positions for the Office of General Counsel. Were those positions filled? What type of positions do you have in mind for FY '91, professional or clerical?

Answer. The positions were requested above and beyond the Commission's base budget, and were not funded in the Commission's FY 1990 appropriation. The positions requested for FY 1991 represent a mix of professional and clerical, but the preponderance are professional.

TRAVEL

Question. Your travel budget for FY 1991 is expected to increase by $53,000 over the original FY 1990 estimate to a new level of $205,000. This is a sizeable increase. Can you please explain why this 34% increase is necessary?

Answer. The Commission's travel budget fluctuates over a four-year period depending on the point of the presidential election cycle represented by each fiscal year. We have also cut travel severely when necessary to absorb pay increases and health insurance increases in previous years. Experience so far in FY 1990 indicates that we may well spend more travel funds than originally anticipated due to a marked increase in enforcement travel. Without the requested travel we cannot be assured that there is adequate funds for enforcement and audit travel. Finally, we believe it is important to provide assistance to committees and candidates in complying with the FECA through informative seminars outside of Washington, D.C.

Question. What would be the impact if the Congress instead gave you a 4.2% increase in travel?

Answer. The impact on Commission programs of only a 4.2% increase in travel, or $161,000 in travel for FY 1991, would be severe, if not disastrous. In order to assure sufficient travel for enforcement and audits, all outreach efforts would have to be markedly cut back. The travel for the Clearinghouse advisory Panel and training related travel for FEC staff would also be heavily impacted. Budgeting on an object class basis is harmful to the Commission's program, in light of the four-year presidential election cycle and the two-year election cycles. Many items fluctuate from year to year. For example, more postage is required for prior notices on filing reports during an election year. As a result, the FEC has requested less postage for FY 1991 than in FY 1990.

PAY ABSORPTION

Question. For FY 1991, it is my understanding that you are being asked to absorb 50% of the 1991 cost-of-living adjustment and executive level pay raises. What reductions did you make in your 1991 program to absorb 50 percent of these costs?

Answer. The Commission reached agreement on a budget request of $17,000,000 and 266 FTE with OMB; this was then adjusted to $17,150,000 to reflect 50% of the estimated $300,000 cost of the January 1, 1991 3.5% pay increase. This does not include any funds for an executive level pay increase above an effective rate of 3.5%. As of now, the Commission has not made any adjustments to absorb the $150,000 (half the 3.5% increase); this will be undertaken when the FY 1991 management Plan is developed this summer. As this plan is developed, the Commission will most likely make non-personnel adjustments in travel, training, supplies, printing, and contracts. This is why our full request of $17,150,000 is so critical. We hope to maintain the full 266 FTE requested if at all possible, but some trimming of support costs will be necessary.

QUESTIONS SUBMITTED BY SENATOR KERREY

SOVIET UNION VISIT

Question. You note that the FEC has had contact with the Soviet Union. Specifically, what types of information, advice and recommendations have you provided?

Answer. Our discussions with our Soviet counterparts have covered the gamut of political theory, election administration and the regulation of campaign finance political campaigns. While refraining from any effort to "instruct" on these matters, we have extended our best efforts to describe how elections are run in the United States and the mission of the FEC and state and local election agencies in the process. At the same time, we have tried to learn as much as we can about the Soviet electoral process; but as you know, that is a moving target. In addition to our meetings and observer visits, we have provided the Soviet Central Electoral Commission with all our documentation relating to U. S. federal election regulations and many of the statutes, regulation, procedures and forms employed at the state and local level. Some materials have been translated into Russian for this purpose. We will forward to the Committee two reports on our contact with the CEC; the first followed our visit to the Soviet Union last June, the second followed their reciprocal visit to the United States in November.

Question. What other types of assistance do you think it appropriate for the FEC to provide?

Answer. Briefly stated, we are providing detailed technical information on election administration and on the regulation of political campaigns. To a lesser extent, we discuss the roles of political parties, differing forms of representational democracy, and other issues of political science. We are also introducing these officials to election officers at the state level wherein lies the hands-on knowledge of election administration. We anticipate a continuing exchange of materials in both directions and future exchanges of citizens from both countries to witness the elections of the other should prove beneficial. A second round of election-witness exchanges commences this month with a joint state/federal delegation going to observe the republic-level elections in Estonia and Kazakhstan. The Soviet reciprocal visit is planned for the upcoming Congressional general elections in November. In addition, we believe some longer duration exchanges (several months in length) by experienced election officials should provide the in-depth information exchange necessary for both sides to learn about the workings of the other's electoral processes. We try to be responsive to specific questions and issues and try to avoid judgmental opinions as to the internal forces at work within these nations.

Question. You note that Foundation funds covered much of the expenses in connection with the Soviet assistance. What Foundation provided the support and what was your agreement with them?

Answer. The International Foundation for Electoral Systems (IFES) provided funds in support of last year's exchange with the Soviet Central Electoral Commission. IFES secured funding for this purpose from the Charles Stuart Mott Foundation. The American Council of Young Political Leaders (ACYPL) was also involved through the provision of professional staff support. All three of these groups are 501(c)(3) tax exempt organizations. There was no contractual agreement with any of these organizations. The Director of IFES accompanied the Commission on both the Soviet visit and the Central Electoral Commission's return visit.

DEMOCRATIC REFORMS IN EASTERN EUROPE

Question. What type of assistance do you think you might be able to provide to countries of Eastern Europe?

Answer. The technical issues facing Eastern European nations now struggling to establish democratic regimes are essentially the same as those facing the Soviet Union. Conducting truly competitive elections in Eastern Europe is a new experience for their central and provincial government officials, but they appear sincere in their efforts and hungry for the knowledge to assist in the transition. Less technical, but no less important, is our experience regarding the role of government in regulating political campaigns with a natural focus on monetary and in-kind political contributions.

ENFORCEMENT

Question. During an election campaign, do you have a goal or rule of thumb for how quickly you try to respond to a complaint?

Answer. During an election campaign, the Commission is sensitive to the need for timely action and its goal is to handle all complaints expeditiously. Complaints involving an upcoming election are reviewed to see if a quick resolution is possible and whether they should be handled on a priority basis. Certain statutory requirements concerning the response periods afforded to respondents, however, act as a limit on how fast a complaint can be resolved and preclude the Commission from resolving some complaints as quickly as the Commission would like. In addition, the complexity of the legal issues involved in the complaint, the number of individuals or entities alleged to have violated the law, and parallel investigations by other federal agencies, are factors which affect the length of time it takes to resolve an enforcement matter.

Question. Which types of complaints are most difficult to handle quickly?

Answer. The Commission has found complaints involving complex legal issues and a large number of respondents are very difficult to handle quickly. The most time consuming cases, however, are those requiring a substantial amount of investigation. When complex legal issues, numerous respondents and the need for a detailed investigation come together in the same case, the matter may take a very long time to resolve and may require the use of a substantial amount of resources.

PRESIDENTIAL ELECTION CAMPAIGN FUND

Question. You note that the check-off on tax forms for the Presidential Election Campaign Fund continues to decline. Do you have any indication whether this is due to lack of understanding, apathy, opposition to the check-off or some other cause.

Answer. Theories abound as to why the level of participation in the check-off has declined. We cannot truly say. The largest portion of the $116,000 we seek to address this problem is to conduct a survey on taxpayer perceptions and attitudes towards the check-off. Many theories have been recommended for validation by a survey; some of these include:

- basic philosophical disagreement by some taxpayers with the concept of publicly funded political campaigns perhaps flowing from a more general public turn-off on politics;

- simple lack of understanding about what the money goes for, particularly among younger taxpayers;

- misunderstanding, even by accounting and tax-preparation firms, that checking-off does not add to one's tax liability or reduce one's refund;

- a sense of not being in control of how the funds are to be spent and a distaste for funding political expression with which one may disagree;

- disenchantment with the program due to perceived loop holes in the system undercutting the basic precepts of limiting expenditures and providing public funds to the exclusion of private funds;

- the misperception that public funding is a subsidy on top of unlimited private funding; and

- form design problems; e.g., there is a "yes" block and a "no" block. A check in "yes" designates. A check in "no" precludes a designation. No check at all is also construed to preclude designation.

While proponents and opponents of public funding pick and choose among these and other hypotheses to buttress their arguments, we believe we must develop a thorough survey that is scrupulously neutral in order to assess accurately the public's knowledge of and attitudes toward the program.

Question. How many additional check-offs or what kind of an increase in the check-off would be necessary in order to avoid a shortfall in 1992? In 1996?

Answer. If all our assumptions hold true, the fund would require roughly 100,000 additional individual (or 50,000 joint) check-offs over each of the next two years to cover anticipated payments for the 1992 elections. If the rate of participation were simply to stay at the 1989 level of about 20% and not continue to degrade, this shortfall could be forestalled. For the 1996 elections, however, the shortfall is projected at over $130 million. This would require almost doubling the rate of participation and this is highly unlikely. We have attached a chart providing a history of participation from 1976 through 1989. The highest level of participation was in 1980 with almost 29% of the taxpayers participating. The lowest rate computed thus far is 1989 with just over 20% participating. Increasing the check to $2.50 is justified by the inflation index that drives the payouts. However, increasing to $2.00 would be sufficient to preclude the shortfall projected in 1996. See the attached Legislative Recommendation as noted earlier.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

PRESIDENTIAL ELECTION CAMPAIGN FUND

You indicate that based on FEC's latest projections, the Presidential Election Campaign Fund will not be adequate to cover the 1996 elections and that this potential shortfall might also affect the 1992 presidential elections. In your testimony, you indicate that while participation in the check-off continues to decline, the primary factor in the impending imbalance is the rate of inflation--the fact that disbursements from the Fund are adjusted for inflation while there is no corresponding adjustment in receipts (i.e., the dollar option begun in 1973 remains one dollar today).

Last year, FEC proposed but did not receive funding for a $250,000 advertising campaign to educate the American public regarding the 1040 tax form check-off for the Presidential Campaign Fund. FEC's fiscal year 1991 budget request proposes a lower cost alternative to address this problem--$116,000 to enhance public awareness of the program, including a survey of tax filers, a brochure for CPA firms, a public service announcement video, and other videos on the check-off and funding program.

Question. If the projected shortfall in the fund stems primarily from the inflation factor, why are you seeking to address this problem solely through an education program to increase contributions to the fund? Wouldn't it also be appropriate to seek statutory solutions to this problem? Last year, you identified such other options as increasing the check-off to $2, establishing a tax credit or deduction for designated contributions to the fund, or simply appropriating general treasury funds; are any of these options also being proposed?

Answer. Yes. The Commission recommends that Congress amend the law to address this problem directly. There are several alternative approaches. If Congress wishes to retain the check-off approach, it should balance the system by indexing the amount to be designated by the taxpayer to correspond to the index on payments to presidential candidates. Such an automatic indexing could be simplified to have the individual income tax return form 1040 change only at such time as inflation warrants an increase of a full or a half dollar. This would preclude annual changes and prevent absurd amounts being printed on the forms. Even if the amount was only computed by rounding down to whole dollar amounts, this would prove more than sufficient. An alternative approach would be to have the public funding system changed to an entitlement program driven by the number of candidates meeting the statutory eligibility criteria. Another alternative would be to permit the fund being augmented, or exclusively funded, by traditional appropriations.

Question. If the survey of tax filers indicates that the American public is aware and educated about this program but simply refuses to contribute to the fund, would you intend to proceed with your plan to spend funds on increasing public awareness of the program? How much will this survey cost and when could it be completed?

Answer. Should the survey indicate that the public is fully aware of the program, but simply opts against it, it would appear redundant to spend funds for public awareness. It would then be presumptuous to expend resources in an effort to change the attitudes of an already informed public. We believe the survey will uncover a wide spectrum of understanding of what the check-off is for and how it works. Even among those who understand the purpose of the check-off, we are likely to find a variety of reasons for either approving or disapproving of the process. All the various propositions explaining the decline in participation should be testable. While unfamiliar with the precise costs and duration of a competent survey, we have estimated $50,000 for this purpose in our fiscal year 1991 request and would hope to have the survey concluded in time to take on an education program, if appropriate, within the fiscal year.

Question. I understand that current law stipulates funding priorities in the event there is a shortfall in the availability of Presidential Campaign Election Funds. What would be the impact if sufficient funds were not available and the provisions of current law intended to address this problem were triggered?

Answer. 26 U.S.C. §9006(c), §9008(a) and §9037(a) taken together appear to provide, in the event of a shortfall, that priority be given to the the Presidential nominating conventions and general election candidates before funding the primary candidates. Within that order, any shortfall is to be pro-rated. Section 9003(b)(2) of the same title provides that the bar to private funding on general election candidates would be lifted to the extent necessary to make up a shortfall. No greater specificity is provided by the statute. The Commission is undertaking a rulemaking to develop, in coordination with the Secretary of the Treasury, a set of ground rules under which insufficient funds would be computed and pro-rated. This will be a delicate process wherein we must attempt to not distort the election process. For example, the Commission must decide whether to count on estimated future monthly receipts before reserving funds for the general election candidates. The manner in which limited funding for primary candidates should be pro-rated will be critical. These and other issues will likely elicit many comments during the rulemaking process.

REPRESENTATIONAL FUNDS

You indicate that the FEC's fiscal year 1991 request includes a first-time proposal to earmark $5,000 for official representational expenses. The FEC appropriations justification indicates that these funds would allow the Commission to host foreign elections officials, and state and local officials, at Commission-sponsored and hosted conferences on campaign finance and elections, and also to host visits by individuals and specific groups in addition to conference attendees. In your testimony, you indicate that visiting delegations bring a token gift from their country as an expression of appreciation and you are requesting funds for official representational expenses to reciprocate their hospitality.

Question. Would you please be more specific as to what you define as a representational expense. For example, you obviously mean it to include token gifts. When you speak of these funds being used to host visits by foreign, state, local, and other officials to FEC events and conferences, what specific expenses would the FEC pay for.

Answer. Perhaps some examples will help define the proposed purposes for representational funds. We are requested to meet, greet and brief literally dozens of foreign dignitaries on the American political process. Absent authority, we cannot use our appropriation to pay for soft drinks, coffee and snacks for these officials. Similarly, the Commission has been highly praised for its workshops and conferences as a means of attaining voluntary compliance and heading off costly enforcement actions. Congressional staff, reporters and others beyond the normal audience have routinely sought for a waiver of the registration fee. We are happy to oblige, except for that portion of the fee that covers coffee breaks and lunch for which such a waiver would constitute a representational expense. Once a year, our Clearinghouse holds an advisory panel meeting at which 20 appointed state and local election officials meet to help target our elections administration research, confer with our oversight committee members and staff, and discuss problem areas facing those who conduct elections. Upwards of 150 other officials and observers attend these sessions over a two-day period. Absent representational funds, we have been unable to offer coffee and pastries at the breaks in these sessions. Last year the presence of large coffee urns filled with tap water was simply embarrassing.

Question. Since you did not have funds for representational expenses in past years, how were these expenses financed, if at all?

Answer. In some cases, Commissioners and staff have donated their personal funds. Sometimes, the sum is appreciable, such as for a major lunch or reception. In other cases, the guest delegations are simply not afforded the customary hospitality. In others, such as the conference fee waiver example, there may be no option other than specific authority for representational and official reception expenditures.

Question. How did you determine that $5,000 was the appropriate amount to request to cover such expenses during fiscal year 1991?

Answer. The sum of $5,000 was developed by estimating what we could have expended in the prior year had such authority existed tempered by research into the amounts routinely approved for other federal agencies.

Question. The fiscal year 1991 appropriation language proposed for the FEC in the appendix to the President's budget does not include an earmark for representational expenses. Would you please submit to this subcommittee the appropriations language you are proposing for fiscal year 1991?

Answer. Certainly. The omission in the President's budget is due to some confusion as to whether express statutory authority in the Appropriation Act is a necessary precondition for such expenditures. The proposed authorizing language is as follows: "For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, as amended, including, not to exceed $5,000 shall be available for official reception and representation expenses; $17,150,000."

FY 1989 SUPPLEMENTAL

Question. For FY 1989, FEC requested $368,000 in supplemental funds, including $52,000 to implement the Inspector General Act Amendments of 1988, $202,000 to fully fund the 4.1% January 1, 1989 pay increase, and $114,000 to meet increased federal health benefit cost increases. A Supplemental amount of $250,000 was appropriated to meet these needs, $118,000 less than the amount requested.

What actions did FEC take to meet the $118,000 in unfunded mandatory cost increases not covered by the supplemental amount provided for FY 1989?

Answer. Because of the uncertainty regarding the receipt of a Supplemental, the Commission cut many non-personnel items such as travel, training, printing, contracts, and equipment and supplies. We also instituted a hiring freeze for all offices except the Audit Division and OGC. As a result, the Commission averaged about 252 FTE, not the 264 FTE authorized for FY 1989. Once the Supplemental was received, we lifted the hiring freeze and restored some of the other cuts. By this time it was too late in the fiscal year to recover the "lost" FTE in all operations. Uncertainty over funding is one of the most difficult parts of planning, particularly for a personnel intensive agency (70% staffing costs) such as the FEC.

FY 1990 FUNDING

Question. Last year, when you presented your FY 1990 Budget Request to this Subcommittee, you indicated FEC's Base Budget Request to be $15,330,000 and 253 positions. Included in this FTE position total was a decrease of 13 FTE positions from the 1988 presidential election staffing and an increase of 6 FTE positions for enforcement. The Base level of $15,330,000 was appropriated for FY 1990. The FEC's FTE position level for FY 1990 reflected in this year's President's Budget is now 248.

What is the reason for this reduction from the FTE position level you indicated could be achieved at the funding level of $15,330,000?

Answer. The $15,330,000 provided no funds for the January 1, 1990 3.6% pay increase, nor did it provide any funds for the January 1990 health insurance cost increases. The absorption of the $274,000 in pay increases and the estimated $45,000 for health increases necessitated a reduction of 5 positions, despite many cuts in non-personnel support costs. With over 70% of its funds represented by staff costs, the FEC can not absorb significant pay costs without staff reductions, because the support base is already tight due to several years of pay absorptions.

Question. Is FEC currently staffed at the level necessary to achieve an FTE level of 248 in FY 1990? Have you brought on board the additional staff attorneys proposed for OGC last year? If not, why?

Answer. The FEC is currently running at 237.7 FTE average for the year-to-date; and ran at 239.2 FTE the last pay period. This on track for our planning for an election year, as we staff up with some temporaries in Public Records and Data Systems as the election peak period approaches. The Commission has established the fourth enforcement team requested last FY, and the OGC staffing to date has been 70.4 FTE, close to the target of 71.4 given the need for the 5 position "lapse" Commission wide.

Question. Does the FEC face any unfunded mandatory cost increases in FY 1990? If so, what are they and what actions are being taken to absorb these costs?

Answer. As stated above, the FEC faces a total of $319,000 in unfunded costs for FY 1990: $274,000 for the 3.6% pay raise and approximately $45,000 for health insurance insurance costs. The recent open season for the TSP savings plan will cost the FEC about $7,500 in new matching costs. These all have been met as indicated in our answer above regarding the 248 versus 253 FTE staffing level.

FY 1991 REQUEST

Question. The appropriations justification indicates that FEC's FY 1991 request includes partial coverage for a 3.5% January 1991 pay raise. How much is included in the request to cover the anticipated January 1991 pay raise and what is the additional amount required?

Answer. The agreement with OMB provided for half of the estimated $300,000 cost of the pay raise, at 3.5%. Therefore, the request does not include $150,000 of the expected costs of that pay raise. It also does not include any funds for an executive pay raise above 3.5% for the eight positions at the FEC affected by the executive pay raise.

Question. What actions will be necessary to absorb the unfunded costs of this mandatory pay increase?

Answer. As in the past few fiscal years, the FEC will first attempt to make reductions in non-personnel costs such as travel, training, printing, publications, supplies, contracts, and equipment first. Then we will look at some form of across-the-board lapse of personnel. Hopefully, no major program reductions will be necessary. Unfortunately, the FY 91 budget request was an attempt to fully fund 266 FTE positions and provide the full support for those positions. Now some of the restoration of trimmed support functions reflected in our request will be undone.

Question. Are there any additional mandatory cost increases anticipated but not included in the FY 1991 request? If so, what are they?

Answer. The two items definitely not included in the FY 1991 request are the executive pay raise anticipated for 1991, and the January 1991 health insurance increases. OMB did not provide for any of these costs; only for 50% of the basic 3.5% projected pay raise. There is also the possibility that the agency share of FERS costs could increase for FERS employees. The actual costs of these items are not known at this time. FERS is expensive in that it is fully funded by agencies of the employees, not partially by OPM. We will seek to cover these costs within the current appropriations. However, should our statutory mandate change, we will seek supplemental funds.

Question. I understand that the FEC has reached agreement with the OMB on its Budget Request for FY 1991, however, FEC's original request for FY 1991 proposed additional funding enhancements and staff resources.

Would you please indicate, in order of priority, those enhancements originally proposed by the FEC which are no longer included in the request for FY 1991?

Answer. The first item of priority was a one-time request for $400,000 to replace all the microfilm cameras, storage, and retrieval equipment at the FEC, both in Public Records and that used by FEC staff. The current equipment is several years old and is beginning to break down. Receipt of all the funding in one year would allow the FEC to replace all equipment with new, state of the art technology, as opposed to piecemeal replacement of old machines with new, but dated technology.

The next item was funds to recapture data from the 1990 election cycle, specifically entry of $200 to $499 individual contributions (down to the statutory disclosure level from $500 and over). Since the submission of the Budget Request, the Commission decided to fund this project in FY 1990, making recapture unnecessary. The Base request agreed to by OMB contains the funds for 1992 election cycle data entry at the $200 level.

The next project was $525,000 for expanded ADP services for the Audit and Reports Analysis Divisions, to provide desk-top computers for both field and office use. Included would be hardware, software, and 2 FTE in Data Systems to support the spread sheet and database management capabilities development.

An additional third position for the IG office would cost $38,000 and .8 FTE, as requested by the then-acting IG.

Administrative support for the projects listed above, including additional space, would cost $56,000 (supplies, equipment, and space.)

A second group of programs included $158,500 and 3 FTE to data code and enter disbursement information from campaign finance reports into the automated disclosure database. This would involve a demonstration project for the 1992 election cycle.

Next was a request for 6 FTE for an additional staff position for each Commissioner's office, to provide paralegal assistance ($226,000.)

The next item was $75,000 to develop test authority accreditation plans for the Voting Systems Standards. This envisioned two contracts with the National Voluntary Laboratory Accreditation Program of the National Institute of Science and Technology (NVLAP/NIST): $50,000 for developmental work with hardware testing authorities, and $25,000 for accreditation of software testing authorities.

The final package was for $93,500 for administrative support for the requested items, including space, equipment, and supplies.

This brought the total request for the Commission from a Base of $16,879,000 and 266 FTE to $18,674,000 and 280.8 FTE. The agreement with OMB added the Presidential Check-off Educational program and the representational funds to our Base, and added $150,000 for 50% of the 1991 pay raise to reach the final request of $17,150,000 and 266 FTE.

PUBLIC FINANCING

Presidential Election Campaign Fund (1990)
Section: 26 U.S.C. § 6096

Recommendation: Congress should amend the Revenue Act to assure that sufficient funds will be in the Presidential Election Campaign Fund to cover the outlays anticipated in 1992 and prevent future imbalances between the fund's receipts and the Fund's payouts to Presidential candidates and party convention committees. The present system, wherein a non-indexed $1 taxpayer check-off mechanism must fund inflation-indexed payments, is approaching insolvency. Since 1974 (the index year for payments), inflation has adjusted payments by over 250 percent.

Among the alternative remedies for this imbalance, Congress should consider:

- Periodically adjusting the amount designated on the income tax return to correspond to the index for payments from the Fund;
- Change the system to an entitlement program wherein the amount of payments would be determined solely by the statutory eligibility criteria; or
- Change the system to a traditional appropriated account or, should the check-off system be retained, permitting special appropriations to compensate for a projected shortfall.

Explanation: As previously reported, unless the system is changed, the fund balance is likely to be inadequate to meet the entitlements of candidates for the 1992 Presidential election. Even if a shortfall is avoided in the '92 cycle, a deficiency in the fund is a certainty by the 1996 elections.

If Congress wishes to retain the check-off mechanism, it should index the tax check-off to correspond to the index on fund payments to Presidential candidates. Automatic indexing could be simplified to require a change on tax form 1040 (individual income tax return) only when inflation warrants an increase of a full or a half dollar. This would preclude annual changes and prevent absurdly precise amounts from being printed on the form.

FUND ACTIVITY-ACTUAL AND ESTIMATES 1973-1997

Using Inflation of 4.5% 90-97
Revised 3/7/90 RH/JCO

ADJUSTMENT USING NEAREST
DOLLAR $2.00 1991-1993
$3.00 1994-1997
CHECK-OFF FOR FY 1991-1997

FISCAL YEAR	ACTUAL RECEIPTS	COLA	DISBURSEMENTS	REPAYMENTS	BALANCE ACTUAL REC	REC TIMES 2/3	ADJ BALANCE
derived 1973	$2,427,000	1.0000	$0	$0	$2,427,000		
derived 1974	$28,058,222	1.0000	$0	$0	$30,485,222		
1975	$31,656,525	1.0910	$2,590,502	$0	$59,551,245		
R derived 1976	$33,721,935	1.1540	$69,467,521	$0	$23,805,659		
1977	$36,606,008	1.2290	$521,124	$1,037,029	$60,927,572		
1978	$39,246,689	1.3230	$6,000	$163,725	$100,331,986		
1979	$35,941,347	1.4720	$1,050,000	$23,474	$135,246,807		
1980	$38,838,417	1.6710	$101,427,116	$1,094,098	$73,752,206		
1981	$41,049,052	1.8440	$630,256	$202,288	$114,373,290		
1982	$39,023,882	1.9570	$1,070	$58,400	$153,454,502		
1983	$35,631,068	2.0200	$11,786,486	$21,899	$177,320,983		
1984	$35,036,761	2.1060	$120,149,768	$505,807	$92,713,783		
1985	$34,712,761	2.1810	$1,617,842	$61,840	$125,870,542		
1986	$35,753,837	2.2230	$5,596	$61,641	$161,680,424		
1987	$33,651,947	2.3050	$17,784,000	$357,307	$177,905,678		
1988	$33,013,987	2.3990	$158,560,805	$103,500	$52,462,360		
1989	$32,285,646	2.5138	$1,843,017	$22,024	$82,927,013		
EST FOR 1990	$31,835,646	2.6269	$200,000	$2,101,117	$116,663,776		
EST FOR 1991	$31,385,646	2.7451	$21,015,200	$0	$127,034,222	$62,771,292	$158,419,868
EST FOR 1992	$30,935,646	2.8686	$158,171,837	$0	**($201,969)**	$61,871,292	$62,119,323
EST FOR 1993	$30,485,646	2.9977	$2,198,583	$2,103,807	$30,188,901	$60,971,292	$122,995,839
EST FOR 1994	$30,035,646	3.1326	$55,000	$0	$60,169,547	$90,106,938	$213,047,777
EST FOR 1995	$29,585,646	3.2736	$25,060,800	$0	$64,694,393	$88,756,938	$276,743,915
EST FOR 1996	$29,135,646	3.4209	$225,387,075	$0	**($131,557,036)**	$87,406,938	$138,763,778
EST FOR 1997	$28,685,646	3.5748	$2,517,483	$0	**($105,488,873)**	$86,056,938	$222,203,233
TOTAL	$808,740,252		$922,147,081	$7,917,956	($105,488,873)	$86,056,938	$222,203,233

NOTES:

ACTUAL RECEIPTS TOTALS PER CALENDAR YEAR AS REPORTED BY TREASURY UNLESS OTHERWISE NOTED. EXCLUDES REPAYMENTS

ESTIMATED RECEIPTS 1990-1997 ASSUMES A DECLINE OF $450,000 PER YEAR BASED ON AVERAGE TREND PER CALENDAR YEAR 1983-1989

COLA B1974 ANNUAL AVERAGE WITH BASE YEAR 1974 = 100
MULTIPLIER FOR CALCULATING CONVENTION AND GENERAL ELECTION PAYMENT AMOUNTS

DISBURSEMENTS GROSS PAYOUTS PER TREASURY REPORT OR ESTIMATE

[illegible] REPAYMENTS RECEIVED PER [illegible]

FUND ACTIVITY-ACTUAL AND ESTIMATES 1973-1997

Using inflation of 4.5% 90-?
Revised 3/7/90 RH/JCU

ADJUSTMENT USING NEAREST
$.50: $2.50 1991-1993
$3.00 1994-1996, $3.50 1997
CHECK-OFF FOR FY 1991-1997

FISCAL YEAR	ACTUAL RECEIPTS	COLA	DISBURSEMENTS	REPAYMENTS	BALANCE ACTUAL REC	REC ADJUSTED	ADJ BALANCE
derived 1973	$2,427,000	1.0000	$0	$0	$2,427,000		
derived 1974	$28,058,222	1.0000	$0	$0	$30,485,222		
1975	$31,656,525	1.0910	$2,590,502	$0	$59,551,245		
R derived 1976	$33,721,935	1.1540	$69,467,521	$0	$23,805,659		
1977	$36,606,008	1.2290	$521,124	$1,037,029	$60,927,572		
1978	$39,246,689	1.3230	$6,000	$163,725	$100,331,986		
1979	$35,941,347	1.4720	$1,050,000	$23,474	$135,246,807		
1980	$38,838,417	1.6710	$101,427,116	$1,094,098	$73,752,206		
1981	$41,049,052	1.8440	$630,256	$202,288	$114,373,290		
1982	$39,023,882	1.9570	$1,070	$58,400	$153,454,502		
1983	$35,631,068	2.0200	$11,786,486	$21,899	$177,320,983		
1984	$35,036,761	2.1060	$120,149,768	$505,807	$92,713,783		
1985	$34,712,761	2.1810	$1,617,842	$61,840	$125,870,542		
1986	$35,753,837	2.2230	$5,596	$61,641	$161,680,424		
1987	$33,651,947	2.3050	$17,784,000	$357,307	$177,905,678		
1988	$33,013,987	2.3990	$158,560,805	$103,500	$52,462,360		
1989	$32,285,646	2.5138	$1,843,017	$22,024	$82,927,013		
EST FOR 1990	$31,835,646	2.6269	$200,000	$2,101,117	$116,663,776		
EST FOR 1991	$31,385,646	2.7451	$21,015,200	$0	$127,034,222	$78,464,115	$174,112,691
EST FOR 1992	$30,935,646	2.8686	$158,171,837	$0	**($201,969)**	$77,339,115	$93,279,969
EST FOR 1993	$30,485,646	2.9977	$2,198,583	$2,103,807	$30,188,901	$76,214,115	$169,399,308
EST FOR 1994	$30,035,646	3.1326	$55,000	$0	$60,169,547	$90,106,938	$259,451,246
EST FOR 1995	$29,585,646	3.2736	$25,060,000	$0	$64,694,393	$88,756,938	$323,147,384
EST FOR 1996	$29,135,646	3.4209	$225,387,075	$0	**($131,557,036)**	$87,406,938	$185,167,247
EST FOR 1997	$28,685,646	3.5748	$2,617,483	$0	**($105,488,873)**	$100,399,761	$282,949,525
TOTAL	$808,740,252		$922,147,081	$7,917,956	($105,488,873)	$100,399,761	$282,949,525

NOTES:

ACTUAL RECEIPTS   TOTALS PER CALENDAR YEAR AS REPORTED BY TREASURY UNLESS OTHERWISE NOTED. EXCLUDES REPAYMENTS

ESTIMATED RECEIPTS 1990-1997 ASSUMES A DECLINE OF $450,000 PER YEAR BASED ON AVERAGE TREND PER CALENDAR YEAR 1983-1989

COLA B1974   ANNUAL AVERAGE WITH BASE YEAR 1974 = 100
MULTIPLIER FOR CALCULATING CONVENTION AND GENERAL ELECTION PAYMENT AMOUNTS

DISBURSEMENTS   GROSS PAYOUTS PER TREASURY REPORTS OR ESTIMATES

REPAYMENT   REPAYMENT [illegible] PER TREASURY REPORTS [illegible]

SUBCOMMITTEE RECESS

Senator **DeConcini**. The subcommittee will recess until 2 p.m., Thursday, March 1.

[Whereupon, at 4:30 p.m., Thursday, February 22, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, March 1.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1991

THURSDAY, MARCH 1, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD–116, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini, Domenici, and D'Amato.

DEPARTMENT OF THE TREASURY

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

STATEMENT OF STEPHEN E. HIGGINS, DIRECTOR

ACCOMPANIED BY:

- **DANIEL R. BLACK, ASSOCIATE DIRECTOR, COMPLIANCE**
- **DANIEL M. HARTNETT, ASSOCIATE DIRECTOR, LAW ENFORCEMENT**
- **ARTHUR J. LIBERTUCCI, JR., COMPTROLLER**
- **DAVID M. NUMMY, DEPUTY ASSISTANT SECRETARY FOR DEPARTMENTAL FINANCE AND MANAGEMENT, DEPARTMENT OF THE TREASURY**

OPENING REMARKS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service and General Government will come to order.

Senator Domenici is on his way and staff indicates that he will be here shortly. In the meantime, we will proceed.

This afternoon the subcommittee will be taking testimony on the fiscal year 1991 budget requests of the Bureau of Alcohol, Tobacco and Firearms and the Federal Law Enforcement Training Center.

The first panel will consist of representatives from the Bureau of Alcohol, Tobacco and Firearms. We are very pleased to have Mr. Stephen Higgins, the Director of the ATF with us. Mr. Higgins, welcome. You are always welcome here. You have got a tremendous background that continues to impress me, and we are pleased that you have been able to accomplish the objectives your agency has set out to do. We appreciate your strong support on a number of issues.

As those of us on the subcommittee know very well, ATF is on the very front line of the war against drugs that is being waged in the streets of our cities. The kind of trench warfare associated with drugs is taking place in these streets right here in our own capital, in New York, Phoenix, Albuquerque, and almost any place. You have played and are playing a major role to put a stop to the violence which accompanies the drug trade. The professionalism, dedication, and commitment of the ATF personnel represents the very finest in Federal law enforcement.

Last year the subcommittee included funds in the Treasury appropriation bill for a Project Achilles task force in several of our Nation's cities, including Phoenix, AZ. I can tell you that this Senator will certainly be very glad to have them there and we look forward to their effectiveness.

I understand the videotape that you are going to show us today will focus on the activities of a very successful Achilles project which was carried out in the Nation's capital last year. As always, I look forward to the film and look forward to your presentation. I now yield to my ranking member, Senator Domenici, for any opening statement he may wish to make.

Senator DOMENICI. Why don't you go ahead and get started.

Senator DECONCINI. OK. Then I will now yield to Senator D'Amato for any opening statement he may wish to make.

Senator D'AMATO. Mr. Chairman, I concur with him.

Senator DECONCINI. Then I yield to you, Mr. Higgins, for any opening statement and if you want to introduce everybody here, just for the record.

Mr. HIGGINS. Thank you, Mr. Chairman, and members of the subcommittee. We appreciate the opportunity to appear before you in support of the fiscal year 1991 budget request. In our view, the amounts requested are reasonable and justifiable, considering the many competing demands for scarce departmental resources.

With me today is Mr. Dan Hartnett. Dan is the Associate Director for Law Enforcement. On my right is Dan Black. Dan is the Associate Director for Compliance Operations. Down on the left is Art Libertucci. Art is our new Comptroller. Both Mr. Black and Mr. Libertucci are appearing for the first time before the committee.

Also present is Mr. Dave Nummy, who is representing the Treasury Department.

PREPARED STATEMENT

From past experience we know the committee and its very competent staffs are going to have many important questions to ask in a very limited amount of time. Accordingly, what I would like to do is simply introduce a narrative statement for the record, and then, with your permission, show a brief videotape, and then respond to your questions.

[The statement follows:]

STATEMENT OF STEPHEN E. HIGGINS

GENERAL STATEMENT

Mr. Chairman and Members of the Subcommittee, it is a privilege to appear before you in support of the fiscal year 1991 budget request for the Bureau of Alcohol, Tobacco and Firearms. Accompanying me are my colleagues: Mr. Daniel Black, Associate Director, Compliance Operations; Mr. Daniel Hartnett, Associate Director, Law Enforcement; Mr. Arthur J. Libertucci, Jr., Comptroller; and Mr. Paul Gentille, Financial Manager.

FISCAL YEAR 1991 BUDGET SUMMARY

Our fiscal year 1991 budget proposes to essentially maintain the level of effort extended in fiscal year 1990. We are requesting increases of $14.2 million and 185 FTEs to fund the second year impact of the President's Crime Initiative. Other adjustments are required to maintain current levels of operations and fund necessary program increases. These increases will be offset in part by savings from non-recurring costs, efficiencies and program reductions that will not impair our commitment to the President's Crime Initiative. The net effects of these changes are to increase funding by $11,213,000 and to maintain the fiscal year 1991 full time equivalent [FTE] positions at the same 3,706 level authorized for fiscal year 1990.

Today, we are prepared to discuss our proposed budget with you, summarize our accomplishments for fiscal year 1989 and respond to any questions you may have.

DRUG-RELATED EFFORTS

Based on the Bureau's evaluation of direct resources devoted to the anti-drug effort, ATF's drug control program is computed as approximately 50 percent of the Bureau's Law Enforcement budget function, and a small percentage of Compliance Operations budget function. Overall, 36.6 percent of ATF's fiscal year 1991 budget request is drug-related.

Law Enforcement [LE] has several drug-related initiatives in operation which are discussed below.

ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCE [OCDETF]

ATF efforts during fiscal year 1991 will continue to be directed against violations of Federal firearms and explosives laws committed by organized criminal groups, whose principal income is derived from trafficking in illegal drugs. With the passage of the Anti-Drug Abuse Act of 1988, Organized Crime Drug Enforcement Task Force [OCDETF] resources were transferred in fiscal year 1990 to a separate appropriation under the Department of Justice. Although policy guidance will be provided by Justice, ATF will actively participate in OCDETF on a reimbursable basis during fiscal year 1991.

The following cases exemplify some of the significant results achieved by the Bureau's OCDETF participation during fiscal year 1989:

Jacksonville, Florida.—On December 21, 1988, a Federal grand jury indicted 22 narcotics traffickers for crack cocaine distribution. Seven of these subjects were additionally charged with violation of 18 U.S.C. section 924(c). The subjects belong to an organization, headed by two brothers, responsible for the distribution of approximately 150 kilograms of crack cocaine in the Jacksonville, Florida, area. On December 11, 1988, State search and arrest warrants were executed resulting in the arrest of the 22 subjects. Pursuant to the warrants, 20 firearms, 1 kilo of crack cocaine, ½ kilo of cocaine, 6 vehicles, 2 houses in Dade County, Florida; and thousands of dollars of household furnishings were seized.

Concord, New Hampshire.—On December 1, 1988, 22 subjects were arrested in a massive sweep by ATF and the New Hampshire State Police Department. A 52-page indictment released the previous day described a Continuing Criminal Enterprise which trafficked in over several hundred kilograms of cocaine between 1982 and 1988. The indictment alleged that the subject who heads this organization was responsible for the importation of over 2,000 pounds of cocaine. Pursuant to the raid, approximately 20 pieces of property, all generated from the cocaine industry, and over 20 firearms were taken into custody.

Chicago, Illinois.—On October 27, 1989, Federal arrest warrants were executed for 65 members and associates of the El Rukn street gang at various locations in Chicago, Illinois; Columbus, Ohio; St. Paul, Minnesota; Milwaukee, Wisconsin; and Greenville, South Carolina. On October 26, 1989, a grand jury returned indictments against these individuals for numerous violations of Federal firearms and explosives laws, the Racketeer Influenced and Corrupt Organizations Act [RICO], and Continuing Criminal Enterprise [CCE] statutes. To date, 38 El Rukn members are in custody resulting from the indictments. In addition, 51 El Rukn associates were taken into State custody by the Chicago Police Department for various firearms, narcotics, and obstruction of justice charges.

These indictments resulted in five high ranking El Rukn members receiving extensive terms for their murder convictions. This was a joint ATF and Chicago Police Department investigation.

ORGANIZED CRIME GANGS

Also under the auspices of OCDETF, ATF has been involved in the investigation of a number of organized crime gangs. Two of the most notable concerns are our national effort aimed at: the Jamaican posses and the Crips and Bloods gangs.

JAMAICAN POSSES

Posse members' propensity for violence, as documented in over 2,000 narcotics-related homicides, and their proclivity towards firearms have made them vulnerable to those statutes enforced by ATF. In January 1987, ATF initiated a national program with other Federal, State, and local law enforcement agencies to identify posse members and uncover their illegal narcotics organizations. Through fiscal year 1989, ATF has initiated 293 investigations directed towards posse members and associates. As a result of these investigations, 200 criminal cases charging 433 defendants with various firearms violations have been recommended to the appropriate U.S. attorneys for prosecution, and 277 firearms have been seized.

The following cases exemplify some of the significant results achieved by the Bureau's Jamaican posse participation during fiscal year 1989:

Miami, Florida.—On April 14, 1989, four members of the Jamaican Shower posse who controlled the narcotics and gun distribution for the posse in Bronx, New York, were sentenced in U.S. District Court, Miami, Florida, for conspiracy to distribute marijuana/cocaine, violations of the interstate travel act, and Federal firearms laws. These four defendants received a combined prison sentence of 85 years. An upcoming trial will charge two of the defendants with RICO charges, to include homicides that the organization committed to carry out their illegal enterprise.

Atlanta, Georgia.—On March 22, 1989, 11 members of the Van Horne/Booker Jamaican drug trafficking organization were indicted by the Federal grand jury in Atlanta, Georgia, for various violations of Federal narcotics statutes. The early culmination of this investigation resulted when a confidential informant was compromised and his life threatened.

On March 23, 1989, during a coordinated roundup, four members of this organization were arrested; the remaining defendants are still being sought. Two Federal search warrants were executed, which resulted in the seizure of two firearms; quantities of cocaine and marijuana; $25,000 in U.S. currency; business and residential property; and business records.

Raleigh, North Carolina.—In February 1988, ATF began a major Jamaican posse investigation in Raleigh, North Carolina. During the course of this investigation, 316 Federal and State criminal charges were made against 156 suspects. Approximately 89 aliens were identified as gang members, associates, or potential witnesses against targets of the OCDETF investigation. There have been 46 Federal defendants to date, of which 40 have pled guilty, 2 are awaiting trial, and 4 are fugitives. Of the 46 that pled guilty, 9 are aliens subject to deportation. Eight additional suspects are presently awaiting indictment and trial; 2 of them have been identified as deportable Jamaican aliens. Narcotics seized during this investigation include cocaine, crack cocaine, marijuana, and heroin—with a street value in excess of $500,000. In addition, more than 32 assorted weapons were seized.

New York, New York.—On December 1, 1989, the leader of a Jamaican posse was sentenced to seven consecutive life sentences for violations of the Federal RICO statutes, an additional consecutive life sentence for operating a Continuing Criminal Enterprise, and three consecutive, 5-year sentences for use of a firearm in a drug-trafficking crime. In 1987, this posse was responsible for seven homicides and 15 drug-related shootings.

Washington, DC.—On July 17, 1989, the leader of a Jamaican posse and two of his associates were each convicted of use of a machinegun in a drug-trafficking crime. Each defendant received a mandatory sentence of 30 years. This is the first conviction under this statute in the District of Columbia.

Houston, Texas.—In October 1988, an investigation was initiated regarding a Jamaican narcotics trafficking group. The investigation netted 125 pounds of marijuana, $257,535 in cash, two handguns, and one vehicle. Seven subjects were arrested.

CRIPS AND BLOODS

The Crips and Bloods gangs, originating from Los Angeles, also share a propensity for violence involving firearms in the conduct of their narcotics trafficking. They have increased their membership over the past 3 years and have spread throughout the United States. In November 1988, ATF initiated a national program with other Federal, State, and local law enforcement agencies to identify Crips and Bloods members and uncover their illegal narcotics organizations. Through fiscal year 1989, ATF has initiated 278 investigations directed towards Crips and Bloods members and associates. As a result of these investigations, 148 criminal cases charging 221 defendants with various firearms violations have been recommended to the appropriate U.S. attorneys for prosecution, and 360 firearms have been seized.

The following cases exemplify some of the significant results achieved by the Bureau's Crips and Bloods participation during fiscal year 1989:

Los Angeles, California.—On May 5, 1989, ATF, DEA, and the Los Angeles Police Department executed 16 State search warrants and 14 Federal arrest warrants on members of the Five Deuce Hoover Crips gang. This is a violent Los Angeles street gang, some of whose members are suspects in ongoing homicide investigations and are heavily involved in the sale of rock cocaine. Subsequent to the warrants, 17 individuals were arrested, one of whom was a fugitive. In addition, approximately $12,000 in U.S. currency, 2 kilos of rock cocaine, 5 shotguns, 3 pistols, 2 revolvers, 2 rifles, 12 vehicles, 2 residences, and narcotics paraphernalia were recovered at several of the locations. This investigation was initially developed by ATF.

Akron, Ohio.—On June 1, 1989, a combined Federal and local task force, totaling over 175 ATF and FBI special agents and local police officers, successfully raided 40 suspected "L.A. Crips" crack houses and locations in Akron, Ohio, and vicinity. The fruits of that combined effort yielded 31 defendants, a large quantity of cocaine, approximately $15,000 in U.S. currency, 4 vehicles, and 25 firearms, which were taken into ATF custody. One-third of the defendants arrested are suspected Crips gang members. This was an ATF-initiated investigation.

Oklahoma City, Oklahoma.—In March 1989, an investigation of the Crips was initiated when it was determined that they were setting up a narcotics distribution network in the area. Subsequent investigation resulted in the arrest of three Crips gang members, and the seizure of 3½ pounds of cocaine, two firearms, and $3,000 in cash;

ATF is continuing its investigations of the Crips and Bloods organizations, and more arrests are anticipated during fiscal year 1990 and fiscal year 1991.

OPERATION ALLIANCE

Operation Alliance is an ongoing multi-agency effort to interdict drugs and other contraband smuggled across the Southwestern border. Its operations take place roughly within 158 miles of the U.S./Mexico border and in the coastal waters adjacent to the Texas and California borders with Mexico. Initiated in July 1986, Operation Alliance embodies the strategy to enhance and coordinate Federal, State, and local drug enforcement and related activities along the Southwest border.

ATF's objective in Operation Alliance is to maximize use of statutory authority and all available resources in an effort to identify, target, and prosecute those individuals and groups who are suspected of being directly involved in international narcotics trafficking across the Southwest border; to include the narcotics manufacturer, transporter, importer, and receiver/distributor. Also targeted are those individuals or groups who function in a manner that supports the narcotics trafficking operation (e.g., firearms licensees who knowingly provide firearms to narcotics traffickers).

Through fiscal year 1989, ATF initiated 232 Operation Alliance investigations. As a result of these investigations, 166 criminal cases charging 274 defendants with various firearms violations have been recommended to the appropriate U.S. attorneys for prosecution, and 416 firearms have been seized.

The following cases exemplify some of the significant results achieved during the Bureau's participation in Operation Alliance throughout fiscal year 1989:

San Diego, California.—On March 19, 1989, 280 Federal, State, and local law enforcement officers participated in the arrest of 60 individuals and the execution of 20 search warrants during a roundup of Federal narcotics and firearms violators in the San Diego, California, area. This action culminated a 1-year effort by ATF, DEA, and the California Bureau of Narcotics Enforcement, known as "Crankcase," to prosecute class I methamphetamine producers and distributors.

As a result, 93 individuals were indicted, 38 of whom were ATF defendants. The majority of ATF violations consisted of 18 U.S.C. sections 922(g)(3) and 924(c). Six of the ATF subjects were in custody prior to the roundup. There are 10 ATF defendants still being sought. Eight of the subjects were members of an organization known for their suspected involvement in previously unsolved pipe bombings. In August 1988, a pipe bomb was discovered during a "Crankcase" search warrant at a clandestine lab site abandoned by the head of this organization, who was arrested in October 1988 for his suspected role in a drug rip-off/kidnapping/homicide incident. In addition, 44 firearms, 2 pipe bombs, 6 pounds of methamphetamine, $13,000 in cash, and a shotgun were seized pursuant to the searches executed during the roundup.

"Crankcase" was initiated in response to San Diego's reputation as "the methamphetamine capital of the United States." The investigation centered around the sale of glassware, equipment, and precursor chemicals at Triple Neck Scientific, a chemical supply house in San Diego well known for supplying methamphetamine lab operators. The owner/operator became a cooperating source and allowed an undercover agent to pose as a sales clerk. With the use of consensual electronic transmitters and extensive air/ground surveillance, agents were able to identify over 100 clandestine laboratories.

Austin, Texas.—During the course of an investigation into the alleged diversion of over 1,000 firearms to Mexico, ATF received information that a suspect had disposed of over 100 grenades in a pond. On July 21, 1989, ATF and members of the Explosives Ordnance Disposal Dive Team from the Austin Police Department, Austin, Texas, recovered a total of 56 grenades. Subsequently, an additional eight grenades were recovered by the investigators. This investigation was conducted in cooperation with the Austin Police Department and U.S. Customs.

PROJECT ACHILLES

With the inception of the Comprehensive Crime Control Act of 1984 and subsequent amendments of 1986 and 1988, ATF initiated its Project Achilles Program, which included the armed narcotics trafficker. This legislation, which directs the mandatory sentencing of armed narcotics traffickers, gave ATF the ability to aggressively join in the Nation's war against drugs. Project Achilles is described in more detail under the Law Enforcement Armed Career Criminal Apprehension Program. It is noted here to indicate its drug-related application.

ARMED CRIMINAL ENFORCEMENT STUDY [ACES]

In January 1989, ATF initiated an Armed Criminal Enforcement Study [ACES] in Washington, DC. The study was conducted to identify and define the best investigative concepts for combating the violence and narcotics trafficking that currently permeate the Nation's communities. As a direct result of the success of ACES, ATF is establishing seven new Project Achilles Task Forces to be located in Chicago; Miami; Los Angeles; New York; Philadelphia; Detroit; and Washington, DC. The task forces will be operational in March 1990, and their investigative efforts will be directed solely towards Project Achilles investigations.

METROPOLITAN AREA TASK FORCE

As the result of an initiative by the Director of the Office of National Drug Control Policy, the Metropolitan Area Task Force was created under the auspices of the Drug Enforcement Administration [DEA]. Stemming from this initiative, nine separate groups have been established to address drug and violence problems that currently exist in Washington, DC, and the surrounding area. ATF is participating in this initiative and has dedicated four special agents who, along with DEA agents and State and local officers, comprise the "Weapons Group."

OTHER DRUG-RELATED FIREARMS INVESTIGATIONS

ATF has also obtained several other notable convictions and sentences regarding the use of firearms in drug-trafficking crimes. The following demonstrate our accomplishments in this area:

Topeka, Kansas.—On June 8, 1989, a defendant was sentenced to an additional two consecutive, 5-year terms for use of a firearm in a drug-trafficking crime. The investigation netted one firearm and 1 pound of methamphetamine.

Miami, Florida.—On February 3, 1989, a defendant was sentenced to two consecutive, 10-year terms for use of a firearm in a drug-trafficking crime. The investigation netted 8 firearms (including a machinegun and a short barreled shotgun), 300 cocaine rocks, 200 packets of cocaine, and 5 vehicles.

St. Paul, Minnesota.—On July 7, 1989, a defendant was sentenced to an additional 5 consecutive years for use of a firearm in a drug-trafficking crime. This investigation netted four handguns, two assault rifles, an explosive device, 75 pounds of marijuana, and 1½ pounds of cocaine.

Atlanta, Georgia.—On February 2, 1989, a defendant was sentenced to an additional 5 consecutive years for use of a firearm in a drug-trafficking crime. This investigation netted one handgun, 1 kilo of cocaine, and 58 grams of crack cocaine.

Los Angeles, California.—In September 1989, a firearms trafficker offered a quantity of heroin for sale. A buy/bust was made and the subject was arrested. Pursuant to the search of his residence, $1,000,000 worth of pure Persian heroin, $33,000 in cash, and an automobile were seized.

Orlando, Florida.—In January 1989, an investigation was initiated regarding a group of Guyana nationals who were selling large quantities of cocaine while possessing firearms. The investigation resulted in the seizure of 1 kilogram of cocaine, four firearms, $11,000 in cash, and four vehicles. Eight subjects were arrested.

Springfield, Missouri.—In January 1989, an investigation was initiated regarding a methamphetamine organization which manufactured multi-pounds of methamphetamine each month. The investigation netted a 100-pound methamphetamine laboratory, $19,000 in cash, 11 firearms, and 1 silencer. Three subjects were arrested.

DRUG-RELATED EXPLOSIVES INVESTIGATIONS

The changing criminal environment, particularly the violence associated with drugs, has added new challenges to ATF's explosives enforcement efforts. In 1989, ATF investigated 62 actual and attempted bombings that were drug-related. These incidents resulted in 11 injuries, 13 deaths, and $524,300 in property damage. ATF also made 143 explosives recoveries during drug-related explosives investigations. These figures are double those which were reported in 1988. Provided below are recent drug-related explosives investigations:

Richardson, Texas.—On January 16, 1989, a Molotov Cocktail was thrown through the window of an apartment building. The resultant fire took the lives of four individuals. Investigators identified two suspects and determined that they had started the fire in retaliation for a drug deal that had gone awry. One suspect was convicted in December 1989. Her sentencing is pending. A retrial for the other suspect is pending.

Davison, Michigan.—On February 7, 1989, two individuals were arrested on conspiracy and drug and bombing violations as a result of indictments handed down on January 27, 1989. The charges are the result of an investigation into the bombing of a truck on February 17, 1987. The investigation revealed that the owner of the truck was targeted because he had stolen a quantity of narcotics from members of a drug conspiracy.

Sebring, Florida.—On April 4, 1989, an explosive device detonated inside a vehicle, killing the occupant. The victim and his son were Government witnesses in a drug conspiracy case in Ft. Myers, Florida. The trial resulted in maximum sentences for the defendants. The victim and his son were also scheduled for additional testimony at subsequent trials relating to the case. The investigation is continuing.

Hollywood, Florida.—On September 26, 1989, an explosive device detonated inside a vehicle, injuring both occupants. One occupant was recently sentenced to 3 years in the custody of the Attorney General for his part in a narcotics operation investigated by the FBI. He is also a Government witness in an ongoing RICO narcotics case. The investigation is continuing.

Miami, Florida.—On December 15, 1989, an explosive device detonated inside a vehicle, injuring its occupant and totally destroying the vehicle. The victim is an attorney who represents clients in narcotics cases. The investigation is ongoing.

Detroit, Michigan.—On October 16, 1989, ATF arrested a convicted felon and known drug trafficker on charges of illegally possessing explosives. Since January 1989, ATF has investigated 11 bombings that have occurred in a neighborhood in Detroit's north side. These bombings have resulted in injuries to five individuals. Evidence recovered during these investigations link the subject to these bombings, which appear to be part of a "turf war" between narcotics trafficking organizations. The subject allegedly is a member of one of these organizations. A blasting cap found at the subject's residence led investigators to an individual who allegedly supplied the subject with the explosives in exchange for drugs and cash. This individual has also been arrested.

COMMUNICATIONS

ATF is currently participating in the over-the-air rekeying [OTAR] project sponsored by the Communications Interoperability Working Group under the auspices of the Office of National Drug Control Policy. The OTAR project involves new technology for law enforcement applications and represents a major advance in secure interagency communications. The data encryption codes necessary to maintain secure radio communications will be changed by a specific radio transmission, rather than by the current practice of physically loading the code into each radio. As a result, drug law enforcement agencies will be able to coordinate their activities with secure radio traffic with very short notice.

The OTAR test project, a multi-agency effort, is scheduled for implementation in the New Orleans area in the third quarter of fiscal year 1990.

Compliance Operations [CO] will be allocating 50 FTEs and $2.6 million in support of Congress and the President's efforts to combat illegal drug activities. These drug-related resources are part of CO's Firearms Program whose broad goals are to assist Law Enforcement's firearms initiatives and to prevent the illegal use of firearms by prohibited persons. CO's drug-related efforts, therefore, will focus on a significant portion of these prohibited persons, i.e. career criminals engaged in illegal drug activities.

The 50 FTEs will enable CO inspectors to conduct 3,700 inspections of firearms dealers which will result in (a) inspectors making 2,100 referrals to Law Enforcement concerning illegal firearms purchases and (b) the correction of 2,400 serious violations made by firearms dealers. These inspections will be conducted in areas identified as having the greatest potential for career drug criminals purchasing firearms.

The inspections will also provide enhanced education for firearms dealers regarding: (a) which persons are prohibited from purchasing firearms; (b) a dealer's responsibility to obtain required purchaser certifications on documents; and (c) recordkeeping responsibilities to ensure prompt traces of firearms used in crimes.

MANAGEMENT EFFICIENCIES

ADMINISTRATIVE

Efforts continue to improve productivity and efficiency and to comply with mandates from higher-level authorities.

The information systems management function was restructured during fiscal year 1989 to achieve total system integration. This change resulted in the following organizational improvements: (1) achievement of cost savings in systems planning, acquisition, operation and management by reducing overlap between offices; (2) improved services in Bureau computer and telecommunications technology by creating an enhanced technical resource to oversee design, development and maintenance of technology; and (3) assurance that the Bureau is planning, acquiring and using these expensive technologies efficiently and in accordance with established law. In addition, plans are underway to convert the Financial Management Information System [FMIS] to a data base system, to provide better access to financial data.

A noteworthy automation project was the recent conversion of all beverage-alcohol analyses to a computer database. Turnaround times have improved by 25 percent resulting in better service to ATF Inspectors and the Industry. The analytical data can now be used to predict trends, to identify problem products and to produce special reports required by ATF or other agencies.

In the area of cash management, a commercial credit card program in fiscal year 1989 significantly reduced imprest fund transactions and strengthened internal controls over gasoline and small purchases. During fiscal year 1990, we plan to explore the use of the Direct Deposit system for employee travel reimbursements and to establish a Relocation Office to better manage Permanent Change of Station [PCS] moves.

As part of our Health Improvement Program, free blood testing for cholesterol levels was provided to all interested employees during fiscal year 1989. One health improvement effort that we are very pleased with is the 841 Wellness Center in Philadelphia, Pennsylvania. The Center is used by employees from ATF, IRS, GAO, and EPA and represents a cooperative team effort. The cost of space rental, equipment and set-up is divided between the participating agencies with each member paying a yearly membership fee.

Much of our training efforts to improve productivity and efficiency fall into two categories: (1) preparing new employees for jobs in ATF and (2) continuing the support of management efforts to change organizational culture through the ATF management values program. The former involves classroom training for over 400 new agents, inspectors, and secretaries. A comprehensive employee orientation program will be on line by 1991 and pilot programs are now underway. The latter initiative involves, formal training for all levels of management (over 100 per year). Starting this fiscal year, ATF is moving into team building and anticipates pursuing Total Quality Management [TQM] efforts at the working level. Key Bureau managers received TQM Awareness Training in January 1990. Training in interpersonal managing skills at all levels is increasing. Study, research and task groups providing avenues to approach recruitment and retention issues and management effectiveness are underway.

With regard to mandates from higher-level authorities, the following achievements are noted:

—In June 1989, we successfully completed conversion to the Department of Agriculture Payroll/Personnel System. This new system is an integrated payroll/personnel system and has eliminated duplicated data entry and maintenance of two databases required under the previous system.

—ATF's Forensic Science Laboratory and San Francisco Laboratory Center were re-accredited for another 5 year period. To gain accreditation, the highest professional standards for work quality and operational effectiveness must be displayed.

—Our random drug testing program became effective on January 5, 1990. Drug screening is now a condition of employment for applicants to testing-designated positions. Approximately 10 percent of employees occupying testing-designated positions will be subject to random testing each year. Supervisory training and employee awareness training on the Bureau's Drug Free Workplace began in mid-1989 and will continue.

—Regarding compliance with the Paperwork Reduction Act, total public burden hours were reduced by approximately 260,000 hours during fiscal year 1989 and further reductions are anticipated in fiscal year 1990.

—Private sources are used to perform in-house commercial functions in accordance with OMB Circular A-76. Examples include graphics, computer operations, employee assistance programs, guard services and consultant studies. However, further reductions in FTEs as a result of A-76 initiatives are not anticipated because the majority of the Bureau's functions are directly related to law enforcement and tax collection activities.

—The Bureau continues to comply with OMB Circular A-123, "Internal Control Systems" requirements. Forty-five reviews were scheduled in fiscal year 1989 and 46 reviews were performed. In addition, several internal audits and management reviews are scheduled for fiscal years 1990 and 1991, including operational reviews of key Comptroller Offices. Steps have been taken to ensure that these reviews will be well coordinated and that audit findings and recommendations are promptly implemented. We also improved the Audit Resolution Monitoring System [ARMS] an automated tracking system within Financial Management Division, to initiate 60 and 120 day follow-up audits on corrective actions under Section 4 of the Federal Managers' Financial Integrity Act [FMFIA]. The Bureau's Management Control Plan [MCP] was automated to meet requirements under Section 2 of FMFIA.

—Further, we began transition to the Federal Telephone System (FTS-2000) in October 1989 with completion scheduled for July 1990. The transition to FTS-2000 will be transparent to the user and it will provide a comprehensive set of secure telecommunication services, dedicated transmission services, packet switching, electronic mail and video transmission to the customer.

—The relocation of the Bureau's Headquarters operations from the Ariel Rios Federal Building is progressing smoothly. A site has been selected at 650 Massachusetts Avenue, NW, Washington, DC., and the move is scheduled for the Fall of 1990.

The aforementioned administrative management initiatives and accomplishments enhance the base of support for the major programs in our Law Enforcement and Compliance Operations activities and result in improved Bureau operations.

COMPLIANCE OPERATIONS

Management improvements in Compliance Operations continue in the following areas: Using "lockboxes" and contractors to perform activities that can be performed by non-government personnel; consolidating functions that can be run more efficiently at one location; performing efficiently and economically activities that were previously performed by other agencies; automating high-volume operations;

and providing equipment and training to employees so they can more effectively enforce Federal laws and regulations.

Use of the lockbox system for processing alcohol and tobacco returns and remittances has proven to be a very efficient cash management tool because tax receipts are more quickly deposited for use by the United States Government. The lockbox banks not only process returns and remittances, they also perform significant data-entry services for ATF. These lockbox services have resulted in substantial savings to ATF when compared to costs in prior years.

No serious problems have been encountered with the continued use of the lockbox arrangement for firearms and explosives license and application fees. We are saving over $100,000 a year in processing costs; and, combined with the benefits derived from licensing-section consolidations, we are able to issue firearms and explosives licenses more efficiently and expeditiously.

One lockbox bank efficiently processes tax payments on transfers of firearms covered by the National Firearms Act. These firearms include machine guns and other weapons subject to transfer taxes. Another lockbox bank handles special occupational tax returns and payments received for hundreds of thousands of businesses.

ATF uses third-party vendors to perform several other activities related to special occupational taxes by contracting out mailing of renewal returns to more than 450,000 special occupational taxpayers, issuing stamps and mailing follow-up notices to non-filers. We determined this system to be more efficient and less expensive in terms of personnel and equipment for ATF. The use of contractors takes advantage of their available equipment and experience in handling high volume mail operations.

ATF assumed deposit and accounting responsibility for its own taxes in July 1987, and we decided to consolidate these functions in one location. The tax processing center has provided the following benefits: training of employees in new activities is improved and more efficient; equipment purchases are kept to a minimum; interagency cooperation with IRS, FMS and others are improved; and monitoring of these important functions is made easier.

The assumption of deposit and accounting functions in 1987 gave ATF the opportunity to more efficiently monitor the collection of excise taxes for which it is responsible. Because ATF specialists in technical services are more familiar with ATF taxes and the entities which pay them, compliance matters and tax delinquencies are being resolved quickly and efficiently. This opportunity to more efficiently monitor the collection of excise taxes is being fully realized due to the tax processing center and associated automation efforts which are being integrated with technical services operations.

ATF specialists know which excise taxpayers are required to make payments twice a month. If a return and remittance are filed late or with "insufficient funds" or not filed at all, ATF specialists quickly identify these problems and initiate prompt corrective action. Quick action is often critical since a taxpayer who files late (or not at all) may be having financial problems; and we must act quickly to protect the Government's interest in any bankruptcy proceedings or tax avoidance scheme.

A substantial portion of the excise taxes collected by ATF are paid by electronic funds transfers [EFT] Accountants in our tax processing center ensure the timely receipt of EFT paid taxes by verifying the receipt of all EFT tax payments on the morning following the date the twice-a-month excise taxes are due.

Congress appropriated $2.5 million in no-year funding for the purchase of a mainframe processor and associated hardware and software for special occupational and excise tax processing. This equipment will improve excise tax collection from the large number of special occupational taxpayers (estimated to be 600,000 of which 200,000 may be delinquent). The funding is also important to adequately account for over $10 billion in excise tax revenues and $200 million in refunds on claims.

ATF regulates over 287,000 firearms and explosives licensees and permittees. To handle this workload, our seven regional licensing functions were consolidated into one highly automated location. This consolidation, just now being completed, has enabled ATF to more effectively respond to inquiries from law enforcement officials and more efficiently act upon license applications. After consolidation of firearms and explosives activities, the seven technical services sections still retained responsibility for alcohol and tobacco matters. We believed there would be some savings if the number of sections were reduced. Therefore, during the past year, we have begun to consolidate the technical services sections into five sections.

ATF is in the fourth year of an agreement with the U.S. Customs Service whereby ATF inspectors perform examinations at customs bonded warehouses handling alcohol only. The agreement, which was initiated at the direction of Congress, has benefitted all affected parties. It improves the overall efficiency of the Bureau and provides us with another tool for protecting excise taxes and ensuring public safety. Industry benefits because its representatives deal with only one agency on field inspection matters. The U.S. Customs Service benefits because ATF officers, using their knowledge of the alcoholic beverage industry, have detected violations and tax deficiencies at these facilities, while freeing up Customs resources to perform other vital services.

ATF processes tens of thousands of requests each year for alcohol beverage label approvals. By statute, we also maintain detailed records concerning fully automatic and certain other weapons covered under the National Firearms Act. In these two areas, we have automated our files so that the records are more efficiently maintained and information more accessible.

The automation of our label approval files has been particularly advantageous to both industry and ATF because requests for label approval are processed twice as quickly as in the past. Industry representatives and members of the public benefit because they now have speedy and accurate access to our label approval files. If there is a question of product integrity, labels can be researched quickly to ascertain which industry members distribute these products. Affected inventory can then be removed from shelves to protect public safety.

ATF continues to upgrade the skills of its tax specialists and other employees by providing them with modern equipment and advanced training. Office computers and software materials have been obtained for all regional and area offices and upgrades and additional equipment will be provided as required. ATF has provided its auditors with laptop computers to enable them to better assist Law Enforcement special agents during arson investigations, and for use in excise tax examinations. ATF continues to provide advanced training to all field officers in areas such as: white collar crime; spreadsheet and database use (ADP); advanced examination techniques; interview techniques; expert witness testimony; and management courses.

LAW ENFORCEMENT

Management improvements in the area of Law Enforcement include the establishment of a new division to provide more efficient and effective supervision and control of our digital, radio, and voice communications; and the implementation of the Armed Criminal Enforcement Study [ACES] (discussed under the Drug Enforcement Effort section) to determine the most effective utilization of resources in combating violent, narcotics-related crime.

One of the critical factors that will determine ATF's law enforcement success in concentrating on those crimes, criminals, or criminal organizations that pose a great threat to society is the ability to deal effectively with the huge quantity of information that must be acquired, processed, and made available to those who need to take timely action. From the information collected and analyzed, ATF derives detailed insights that permit the Bureau to better focus its special agents and other limited resources at the points and times they are likely to be the most effective.

A critical factor in successful information support is the ability to integrate data from diverse sources and make it available to a broad range of users at a moment's notice.

ATF is presently in the process of connecting all law enforcement offices by local area networks [LAN's] which will provide an integrated automated office system; expanded access to present ATF applications; and connectivity through the Treasury Enforcement Communications System [TECS] National Crime Information Center [NCIC], National Law Enforcement Telecommunications Systems [NLETS], and State and local law enforcement agencies. To accomplish this, ATF is working toward acquiring a new, enhanced mainframe; expanded LAN capacity; technical support; application design and development; and additional microcomputer hardware and peripherals.

To establish a Law Enforcement network, ATF has issued a contract with an 8A firm to install LAN's in all of the 22 district offices throughout the United States. Segments of this contract are subject to issuance to other 8A firms. Implementation will be accomplished over the next 2 years.

In fiscal year 1990, ATF will install 15 LAN's and integrate them through the Consolidated Data Network with the ATF mainframe, TECS mainframe, NCIC, NLETS, and WANG computer system. This will provide ATF with an integrated network that will enable the Bureau to access multiple hosts through a single network. In addition, new applications are being designed and developed to enable ATF to place many of its manual functions on computers. This will provide ATF with on-line, interactive data entry and retrieval, user-friendly querying and report generation, and statistical and analytical capabilities—all in a modern, integrated, concurrently accessible computer system.

In our effort to ensure efficient and effective service to the ATF Law Enforcement community, we continue to enhance applications related to TECS expansion, firearms tracing, and the Law Enforcement Management Information System [LEMIS]. The Bureau has also formed the Special Agent in Charge Automation Committee to review present manual applications and forms to determine which functions should be automated and recommend the priority for the development of these new applications.

ATF has recognized the enormous task ahead in the area of information systems, voice, and radio communications support, and the importance of these support functions in ATF's effort to combat violent criminal activity and to ensure the safety of ATF special agents. Based on the task ahead, the Office of Law Enforcement has established a new division, the Systems and Records Division. Included within this division are the Systems Support Branch and the Communications Branch. This reorganization, which brought these functions under the supervision of one division solely committed to digital, radio, and voice communications, will ensure dedicated, efficient, and cost-effective support to field operations.

UNIFORM CRIME REPORTING [UCR] NATIONAL INCIDENT-BASED REPORTING SYSTEM [NIBRS]

During fiscal year 1990, all Federal law enforcement agencies must develop an incident-based reporting system in compliance with Section 7332 of the Uniform Federal Crime Reporting Act of 1988, Public Law 100–690, enacted October 14, 1988. Since ATF presently uses a case-based reporting system, LEMIS, conversion to an incident-based system will require a revision of the present LEMIS application. Representatives from ATF are working with the Federal Bureau of Investigation in our effort to develop the required reporting system in compliance with the congressional mandate.

LEGISLATIVE CHANGES

The Budget Reconciliation Act of 1989, Public Law 101–239, contained statutory amendments which will permit ATF to assume responsibility from the Internal Revenue Service [IRS] for firearms and ammunition excise taxes. We have been working with IRS on this transfer of responsibility for some months, and the change in law will allow ATF to receive payments for these excise taxes.

The transfer of firearms and ammunition excise taxes to ATF will result in more efficient government operations because ATF already has years of experience and frequent contact with these businesses as part of its established inspection and licensing programs. The transfer is scheduled to take place by January 1, 1991.

Title VIII of the Anti-Drug Abuse Act of 1988, Public Law 100–690, amended the Federal Alcohol Administration Act by requiring warning labels concerning the health hazards associated with the consumption or abuse of alcoholic beverages. This law was implemented on November 18, 1989, and warning labels are now required to be located in a conspicuous and prominent place on containers of alcohol beverages.

The Undetectable Firearms Act of 1988, Public Law 100–649, requires that the Departments of the Treasury, Transportation, and Justice conduct studies to identify state-of-the-art equipment capable of detecting a security threat exemplar (weapon) and capable of distinguishing it from ordinary metal objects carried on one's person. The main objective of the Act is to provide a minimum Federal standard for the detectability of firearms by walk-through metal detectors and cabinet x-ray systems. Firearms that are as detectable as the exemplar would be lawful to manufacture for commercial sale. Those that are not detectable could only be produced or imported for use by the United States military or intelligence agencies.

The Act requires that the Secretary of the Treasury develop a security exemplar of 3.7 ounces of PH–17 stainless steel resembling a handgun. The Bureau is in the final stages of completing the development of the exemplar.

COMPLIANCE OPERATIONS PROGRAMS

ATF regulates several industries which market products that are sensitive in nature and subject to continued public interest. Our philosophy has been to regulate only in those areas which need to be regulated and to the extent necessary to achieve the intent of law. A balance is sought between effective administration of statutory requirements, the legitimate needs of industries under ATF's jurisdiction and the protection of the public.

The Bureau is extremely selective in setting goals to assure effective resource utilization. Compliance Operations field offices continually assess and report on the compliance climate in their geographical jurisdictions. Field supervisors continually consult with their Law Enforcement counterparts to discuss problems of mutual concern and to identify specific target areas so that ATF's Law Enforcement mission is fully supported. Field inspections are then concentrated in those areas which cause the most jeopardy to revenue collection or which pose the greatest threat to public safety. Throughout the year, and especially at its conclusion, we analyze the progress made in our field programs, make necessary revisions and identify new targets for the following year.

In addition to our regulation and field programs, we have adopted several other initiatives to increase compliance levels. We are improving the productivity of our employees by providing advanced training and by automating various activities in our offices. In all program areas, we conduct educational seminars which involve the active participation of industry members and state agencies. These seminars are creating an atmosphere in which our requirements are better understood and more likely to ensure compliance by all industry segments.

CO ALCOHOL PROGRAM

The Bureau's alcohol compliance program is responsible for: preventing entry of criminals or other prohibited persons into the industry through a qualification program; ensuring collection of alcohol beverage excise taxes through field examinations and office reviews; protecting public safety by ensuring the integrity of alcoholic beverage products; and providing an orderly marketplace so producers, distributors and consumers can trade freely.

This program will be reduced by 51 FTE positions and $3,900,000 in fiscal year 1991. This reduction is based on cost savings that will occur by conducting 700 fewer inspections in the areas of qualification, trade practices, and product integrity; and restructuring the SOT tax system. The SOT proposal will offer a more efficient collection system. In addition, the Administration is attempting to focus alcohol compliance on high priority activities. As a result, the proposed reduction is further based on better targeting of investigative resources and a more self-regulating industry, since it is expected that important problems will be reported and follow-up provided only for high probability violations.

QUALIFICATION

ATF is responsible for keeping prohibited and unqualified persons out of the alcohol beverage industry. The qualification process also keeps out those persons who may attempt to launder money obtained from illicit activities.

We achieve our goals in this activity in two ways. First, under our qualification process, permits are issued only to those individuals who have the necessary business experience, are not statutorily prohibited and are likely to comply with statutory requirements. Second, ATF ensures that entities already qualified and possessing permits remain in compliance by conducting highly selective investigations to determine that no hidden ownership or illegal funding has occurred. Following are examples which show the need for maintaining our stringent qualification process.

Inspectors investigated a wholesaler/importer for suspected hidden ownership. when the owner did not respond to our repeated inquiries, the permits were revoked and referrals were made to LE, customs and IRS. IRS recently informed us that the ATF information led to the owner pleading guilty to laundering $1.4 million through a bank.

The majority stockholder of a wholesaler/importer was arrested by the FBI for organized crime activities. He and others were accused of running a crime network that dealt in cocaine, counterfeiting, loan sharking, money laundering, extortion, fraud, arson, and murder.

TAX COMPLIANCE

ATF collected $129 million in special occupational taxes [SOT] in fiscal year 1989. ATF estimates there are 200,000 businesses which owe delinquent special taxes. We have been building our delinquency program over the past several years, with the result that $2 million in delinquent SOT was collected in fiscal year 1987, $6 million in fiscal year 1988 and $36 million in fiscal year 1989. Some of the delinquent SOT collections made in fiscal year 1989 include the following:

In fiscal year 1989, our Western Region collected $12 million in delinquent SOT. This success was due to the work of many employees in the region, especially those working in area offices. The Los Angeles Area Office collected $500,000 during the year, the Sacramento Area Office $1.1 million and the Santa Rosa Area Office $1.8 million.

There were a number of large individual collections of SOT. For example, as a result of our Southeast Region's delinquent SOT program, an airline paid $37,000 in taxes, penalties and interest.

Historically, ATF has encouraged the alcohol industry to pay the proper amount of excise taxes through a strong revenue examination program. In fiscal year 1989, ATF collected $5.7 billion in alcohol excise taxes. The current high rate of excise tax compliance is directly related to this enforcement effort. ATF can expect future compliance to be only as good as the examination, verification and enforcement process.

During fiscal year 1989, the Bureau accepted 32 offers in compromise, amounting to $241,000, for revenue-related violations. Inspectors conducted over 10,095 examinations resulting in: the correction of 1,221 violations; numerous referrals to other agencies; and a total of $4.5 million in increasing tax adjustments. The following are some examples of these findings.

Two separate audits of Customs Bonded Warehouses had the following results: the first inspection disclosed that there were $718,000 in liquidated damages; and, as a result of the second inspection, customs assessed the importer $11,000.

Inspectors verified a distiller's inventory and found a considerable shortage of products on which the tax was not paid. The distiller paid $51,000 to cover these inventory shortages.

Information obtained by inspectors during an inspection disclosed possible underpayment of State taxes. The State of Tennessee recently informed us that our information led them to collect $250,000 in taxes from a wholesaler.

In support of examinations conducted at the premises of revenue producing plants, specialists in ATF regional offices review tax returns and other documents submitted by revenue producers. These office reviews are an important part of ensuring that excise taxes are collected and that proper payments of claims are made.

ATF constantly strives to maintain an effective taxpayment compliance program. The examination skills of inspectors have been increased by an active training program and by management insistence upon high standards. Training, such as Advanced Examination Techniques, is being given to field employees so that they are better able to detect taxpayment deficiencies. To support field operations, ATF has professional auditors who are called on to assist with the most complex and sophisticated taxpayers, and who serve as a technical resource for other segments of the Bureau.

ALCOHOL PRODUCT INTEGRITY

Product integrity matters have demanded considerable Compliance Operations attention throughout the 1980's. The Bureau has had to deal with several instances in which imported products were contaminated with hazardous ingredients. Foreign wines were found to contain the hazardous substance diethylene glycol [DEC] in 1986. As a result of ATF's sampling and product-removal efforts, millions of wine bottles contaminated with DEC were recalled from the market over a three-year period and destroyed or returned to the foreign producers. More recently, imported brandies were contaminated with methanol and also were removed from the market.

In the past year and a half, there have been widespread attempts at label fraud. In some instances, importers have been found to use fraudulent labels to bring products into the U.S. and to understate the tax class of beverage alcohol products. These activities deceive the public and result in a fraudulent evasion of excise taxes.

Grape growers have misrepresented cheaper grapes as more expensive varietal grapes in high demand. Many wineries maybe unaware of grape growers' illegal actions; but we have found some wineries who knowingly used the cheaper, nonvarietal grapes. The public is deceived by these actions when it purchases expensive wine labeled as being produced from expensive varietal grapes, when in fact, the winery fraudulently used cheaper, non-varietal grapes.

We enhanced the already existing market sampling program by obtaining additional laboratory equipment and increasing sampling schedules. We have also created a Bureau Contamination Response Team to monitor each contamination incident and coordinate our response.

Field examinations, sampling programs and other ATF efforts have disclosed that hazardous ingredients are still being introduced into alcohol beverages. For example, although we have in the past tested for the presence of lead in alcohol beverages, we are now working with the Food and Drug Administration to develop a new, more comprehensive lead-testing program. Also, ATF employees continue to find significant instances of label problems by which the public is deceived about the contents of alcohol beverages. The following are some examples of these problems.

An importer was investigated by CO, LE and Customs for serious label-fraud violations. The joint investigation was successfully concluded with conviction and jail sentence of the responsible parties, a fine of $100,000 and revocation of the company's permits.

CO inspectors and agents from two States are investigating an importer and a retailer for selling wine and beer products that do not have label approvals.

A Chicago importer received an 11-day permit suspension for altering labels and importing products without certificates of label approval.

A grape grower has admitted that he used weigh tags falsely indicating that the product was Zinfindel grapes when, in fact, the grapes were actually a cheaper variety. A winery knowingly took advantage of this misrepresentation and "saved" $75,000 by using the falsified weigh tags.

Inspectors determined that a winery falsified records and attempted to substitute cheaper grapes for the Zinfindel variety. $45,000 would have been saved by the winery in this attempt to deceive the public. ATF is taking strong corrective action to protect the public interest.

Inspectors found that a large importer had brought in 83,000 bottles of wine which did not show the required sulfite warning statement. The importer has initiated action to properly label the wine.

An importer, which we reported last year as having hundreds of thousands of dollars in liquidated damages, was also found by an inspector to be using falsified COLA's. Customs and the local U.S. Attorney's office are actively involved with ATF inspectors and agents in this investigation.

In a one-week period, headquarters specialists rejected label-approval requests from three wineries because their labels made therapeutic claims.

INTERNATIONAL ACTIONS

Because of ATF's expertise in the field of domestic and foreign law as it applies to beverage alcohol products, ATF is increasingly being requested to support U.S. Government efforts to minimize or eliminate international barriers impeding U.S. export trade in wine, distilled spirits and malt beverages. For example, ATF is continuing to play a major role arising from the September 1988 United States—European Economic Community technical consultations on beverage alcohol products. ATF's participation in these international activities also aids in the handling of contaminated imported products.

ATF is continuing to provide substantial technical data to the Office of the U.S. Trade Representative in its undertakings with respect to the Wine Equity and Export Expansion Act of 1984. To date, this data has made a significant contribution toward facilitating wine export trade to Japan, Canada, Taiwan, South Korea, and the Caribbean area.

MARKET INTEGRITY

To enforce the trade practice provisions of the Federal Alcohol Administration Act, ATF aggressively investigates allegations of significant violations in order to maintain an open marketplace. Our efforts are concentrated on those industry members engaged in illegal interstate activities leaving the less complex, intrastate violations for State agencies to resolve. An indication of the success of this approach during fiscal year 1989 is that 33 cases were resolved and offers in compromise totaling $307,000 were accepted. In addition, permits of two industry members were suspended for a total of 20 days for trade practice violations.

For the past few years, we have held trade practice seminars throughout the country. The purpose of these seminars has been to increase the cooperation between ATF and State agencies and to increase the level of compliance by industry members. The seminars held last year were very well received by both industry and State agencies.

CO TOBACCO PROGRAM

In fiscal year 1989, $4.3 billion in tobacco excise taxes were collected. ATF's tobacco compliance program is similar to the qualification and revenue protection aspects of our alcohol program. Applicants for permits are screened and qualification inspections are conducted to ensure that only eligible persons, likely to comply with regulations, enter the industry. The following examples demonstrate the need to continue with our qualification efforts.

An inspector determined that a cigar manufacturer had understated the proper wholesale price of cigars removed for sale. This finding resulted the collection of additional taxes, penalties and interest of $108,000.

A smokeless-tobacco manufacturer was found to have filed a late tax return. ATF accepted an offer of $10,000 to compromise the penalties for this late taxpayment.

CO FIREARMS PROGRAM

The Bureau's firearms program is based upon the Gun Control Act of 1968 (as amended), Public Law 99-308 of 1986, and other statutes. Licenses are required to manufacture, import and sell firearms. The intent of the statutes, and our qualification efforts, is to prevent statutorily prohibited persons from obtaining licenses. In fiscal year 1989, our regional offices and the Firearms and Explosive Licensing Center processed the following license actions: revocation of 12 licenses, denial of 49 applications, and withdrawal or abandonment of 2,188 licenses.

A very important aspect of our firearms program is the support given to ATF special agents in their efforts to apprehend criminals and assist other law enforcement agencies. For this reason, inspectors frequently and increasingly work with special agents in identifying criminals who purchase firearms and in investigating licensees who criminally misuse their license.

Inspectors also conduct compliance inspections of licensees previously identified as likely to violate provisions of firearms statutes. These inspections prevent firearms dealers from making sales to prohibited persons and ensure that a dealer's records are sufficient to trace the flow of firearms used in crime. These inspections also closely examine transactions involving certain types of firearms which have been identified as "weapons of choice" and are likely to be used by career criminals and persons involved in illegal drug activities.

During fiscal year 1989, over 9,600 inspections were conducted. They resulted in licensees being cited for 4,731 serious violations and 4,227 referrals were made to law enforcement agencies. Some examples of these field activities include the following.

An inspector conducted a compliance inspection which, after records and inventory analyses, resulted in 86 referrals to LE for purchases of firearms by prohibited persons. One of the purchasers, recently arrested, was an identified drug trafficker who had two violent-felony convictions. Further records review showed additional prohibited purchases by the drug trafficker. The illegal firearms purchases by this trafficker will add to any sentence he receives.

The Cleveland Area Office has had a significant number of successful referrals. Referrals have led to: criminal investigations of Federal firearms licensees; numerous cases being opened by LE to investigate purchases by convicted felons; and referral information being tied in with an associate of a known PLO terrorist. Of 75 referrals made by this office, about one-half will result in Federal or State prosecution.

Many CO offices participate in local LE task forces. Some of these include: a task force investigating illegal exports to the Philippines; Project Achilles; and the Minneapolis weapons Task Force. Inspectors have participated in the latter for some time; and, in one six month period, their inspections have resulted in 216 referrals to LE, 64 "hits" for either purchases by prohibited persons or sales of stolen firearms, numerous cases being initiated, and several firearms dealers surrendering their licenses due to the violations which were found.

An inspector conducted a qualification inspection and found that the husband of the applicant was a convicted felon. The inspector determined that the husband was a hidden owner and made a referral to LE. This led to the arrest of the individual by LE and local authorities, along with confiscation of 20 firearms and merchandise found to have come from four burglaries.

The Firearms and Explosives Licensing Center is responsible for processing firearms license applications and for maintaining the Bureau's licensee files. At the end of fiscal year 1989, there were 264,247 firearms licensees. Compliance Operations offices processed 89,210 applications, of which 34,318 were first-time applicants and 54,892 were renewals.

ATF is also responsible for enforcing the registration and revenue provisions of the National Firearms Act [NFA] a statute which regulates machineguns and types of weapons commonly used by drug dealers and organized crime groups. The Bureau has automated its NFA registration files to handle registration information on hundreds of thousands of NFA firearms and to act more quickly upon requests for information from law enforcement agencies.

As in other programs, the Bureau uses seminars for firearms licensees as a means of improving their understanding of and compliance with Federal laws. State officials are actively involved with ATF in conducting these seminars. In fiscal year 1989, over 5,900 firearms licensees attended 77 seminars.

CO EXPLOSIVES PROGRAM

ATF's explosives program ensures that licenses and permits are issued only to eligible persons, that records are maintained in order to permit traces of explosives used illegally and that explosive materials are stored safely and securely. Licensing Center personnel review all applications for accuracy and initiate criminal record checks to prevent prohibited persons from receiving a license or permit. Inspectors examine explosives storage facilities before license or permit issuance to make sure that the facilities meet stringent Federal requirements.

After a person is issued an explosives license or permit, ATF inspectors conduct periodic compliance inspections. These inspections ensure that the storage facilities continue to meet ATF safety and anti-theft requirements, and that sufficient records are maintained to enable law enforcement officers to trace the movement of explosive materials. Auditors also assist LE agents in arson investigations. Examples of explosives inspections and arson investigation assistance include:

Inspectors, accompanied by Department of Transportation investigators, conducted a compliance inspection of a large explosives manufacturer, distributor and user. Examination of the premises and records determined that: two trucks, containing 26,000 pounds of explosives, were left unattended overnight with the keys in the ignition or ashtray; additional unattended, overnight storage in trucks with keys was found at a remote storage site; the valve on a liquid-explosives tank was unlocked; and out-of-state sales were made to non-licensees. Inspectors initiated corrective action; and revocation of the license has been initiated.

Three inspectors conducted a compliance inspection of a large licensee. The inspection found 11 serious violations, the most significant involving storage of explosives too close to residences. About 610,000 pounds of explosives were found to be on hand, of which 430,000 pounds had to be removed to meet table of distance requirements. Inspectors took immediate corrective action and conducted follow-up visits to ensure that the explosives had been removed to proper storage facilities.

LAW ENFORCEMENT PROGRAMS

ATF's Law Enforcement efforts concentrate on those crimes, criminals, or criminal organizations which pose a great threat to American society. Accordingly, ATF has developed and continues to maintain, excellent working relationships with State and local law enforcement officials. Our programs are prioritized and are continually revamped to ensure that we are addressing the most serious criminal threats as perceived by the entire law enforcement community. In fiscal year 1990, Law Enforcement will commit its resources to the investigation of narcotics trafficking, terrorism, arson-for-profit, bombings, and other crimes of violence.

In fiscal year 1988, Law Enforcement focused on apprehending previously convicted felons who perpetuate violence by illegally using firearms. These criminals are singularly responsible for more violent crimes than any other group, and their presence affects the way citizens live and businesses operate. In fiscal year 1991, ATF will continue to identify these criminals, vigorously investigate their crimes, and complete criminal cases for prosecution.

The Bureau is also acutely aware of the alarming increase in domestic and international terrorist/hate groups in the United States. As a result, ATF special agents have initiated numerous investigations concerning the violent misuse of firearms and explosives by these groups. ATF's identification and exposure of these groups continues to heighten national awareness of their violent acts.

ATF is also committed to investigating and exposing corrupt profiteers who knowingly and willfully traffic in firearms, ammunition, and explosives to profit from all types of criminal activities.

Unscrupulous property owners who hire arsonists to burn their buildings for insurance monies have also been identified for intense investigation. Federal arson statutes include severe penalties in cases where death or injury occurs as a result of these fires. ATF's enforcement efforts under these statutes will be paramount.

LE ALCOHOL PROGRAM

The alcohol industry provides a multibillion dollar tax revenue source to Federal, State, and local governments. Because of the tremendous amount of funds generated by this industry, it has historically been susceptible to organized or white collar criminal activity. The Bureau's efforts are directed toward protecting this revenue source from individuals who have demonstrated a disregard for the law. Despite comprehensive efforts, a small number of criminals continue to infiltrate the industry and attempt to defraud the Government through the evasion of excise taxes.

ATF has conducted investigations during recent years which have disclosed illegal payoffs, kickbacks, commercial bribery, hidden ownership, and other violations of the Federal Alcohol Administration [FAA] Act and the Internal Revenue Code [IRC]. Additionally, ATF has conducted investigations and assisted State agencies in investigations pertaining to the illegal production of alcohol or moonshine. This activity has subsided considerably due to economic factors and effective enforcement efforts. During fiscal year 1989, ATF initiated 25 alcohol-related investigations and recommended 6 defendants for prosecution.

LE TOBACCO PROGRAM

Public Law 95-575 was enacted on November 2, 1978, to eliminate racketeering in the sale and distribution of cigarettes. The Advisory Commission on Intergovernmental Relations conducted a study in 1975 and another in 1984 into the contraband cigarette problem. The Commission concluded that since the enactment of Public Law 95-575, the tax loss has dropped from 10 percent to 5.4 percent of the total revenue due States from their cigarette taxes.

The majority of the 5.4 percent is from activities outside the purview of the Contraband Cigarette Act. These include small bootlegging activities associated with military bases and Indian reservations.

ATF views contraband cigarette enforcement as primarily a State problem requiring a State solution. We see our role as coordinating intelligence collection and giving investigative assistance where jurisdictional limits of a particular State have been exceeded, and to provide investigative training and laboratory support to State and local agencies as needed.

In furtherance of our objectives in this program, we have initiated a program of collecting intelligence on contraband cigarette trafficking from source States, and then providing that intelligence to the affected State agencies for their enforcement efforts.

We have continued to conduct training in contraband cigarette enforcement for State and local officials. This training serves to enhance the abilities of States to effectively address the contraband cigarette problem. The Bureau also assists States in an advisory capacity and makes ATF laboratory expertise in the detection of counterfeit tax indices available to them. Consequently, impacted States have developed enforcement capabilities to address current problems. However, ATF will continue to provide this assistance to States where Federal and State interests coincide.

LE FIREARMS PROGRAMS

In fiscal year 1989, ATF continued to place greater emphasis on those persons and groups identified as being actively involved in drug trafficking and violent criminal activities. Included within the Firearms Program are criminal trafficking, technical assistance, restoration of firearms privileges, international traffic-in-arms [ITAR], and the armed career criminal apprehension program. In fiscal year 1989, ATF initiated 8,286 firearms-related investigations and recommended 6,669 defendants for prosecution.

CRIMINAL TRAFFICKING

One of the major categories of the Firearms Program concerns criminal trafficking in all types of firearms. This area can be summarized as the identification, investigation, and apprehension of individuals or groups who are substantial sources of firearms for the criminal element, and who demonstrate a flagrant disregard for the law. Included are those who illegally deal in stolen firearms; are involved with burglary and fencing operations; and illegally traffic, manufacture, or convert machineguns and silencers. The following are some of our accomplishments in this area:

Buffalo, New York.—In March 1989, a joint investigation was initiated with U.S. Army authorities of a group of soldiers and officers of the National Guard who stole hundreds of thousands of dollars in military weapons parts over a period of several years. These individuals (several were licensed Federal firearms dealers) assembled rebuilt weapons using non-military parts and sold the firearms. Many of the firearms were converted to fully automatic weapons. Some of the firearms have been recovered in foreign countries, others were found at a paramilitary camp, and one was recovered during the arrest of a narcotics trafficker. Two defendants have pled guilty and are currently awaiting sentencing.

Detroit, Michigan.—In March 1989, an investigation was initiated regarding a Federal firearms licensee who diverted hundreds of firearms to the criminal element through various schemes including falsification of his records, strawman purchases, and reports of firearm thefts. The firearms were then used in various crimes, including murder and the facilitation of narcotics trafficking. The suspect has been indicted and is scheduled to stand trial in the near future.

Atlanta, Georgia.—In February 1989, a significant firearms trafficking investigation was concluded. The investigation disclosed that four Federal firearms licensees and an unlicensed firearms trafficker conspired to illegally sell firearms throughout the United States. The firearms dealers established a false set of firearms records to conceal this illegal activity. One of the defendants admitted to diverting over 550 firearms in this matter. Several of the firearms have been recovered at crime scenes. The defendants are currently awaiting trial.

Portland, Oregon.—In December 1989, an illegal firearms trafficking investigation was concluded with the conviction of three defendants. The investigation disclosed that a Federal firearms licensee illegally transferred 469 firearms to two unlicensed firearms traffickers. The traffickers subsequently sold the firearms at gun shows and flea markets in Washington and Oregon.

New York, New York.—In March 1989, a firearms trafficking investigation was concluded with the arrest of two suspects. The investigation disclosed that a corrections officer had several individuals, using false identification, purchase firearms from out-of-State firearms dealers. The firearms were then sold by the corrections officer to narcotics traffickers in the New York metropolitan area. ATF agents made undercover purchases of 16 handguns and a silencer from the suspect. Following his arrest, the subject admitted to the illegal sale of approximately 800 firearms.

TECHNICAL ASSISTANCE

Technical assistance involves testing and evaluating firearms, ammunition, and implements of war for proper classification under Federal law; and advising State, local, and other Federal agencies on the technical aspects of firearms. ATF also traces firearms to assist Federal, State, and local law enforcement authorities in their fight against crime and violence. In fiscal year 1989, ATF processed 41,807 requests for firearms traces from various law enforcement agencies. Of that total, approximately 82 percent of the traces were conducted on behalf of State and local law enforcement agencies, who used the trace results as investigative leads to help solve a variety of criminal violations. The following are some examples of our recent traces:

Tucson, Arizona.—On September 5, 1989, the Pima County Sheriff's Office requested an urgent trace on a firearm used in a double homicide of an elderly couple. The trace results were back in 24 hours. The trace revealed that the last retail purchaser lived across the street from where the couple had been murdered and, a few days before, had reported a burglary at his residence in which the firearm was stolen. It was determined that an escapee from State prison had committed the burglary. At the time, this was the only lead the sheriff's office had linking the suspect to the murders. A warrant charging him with murder was issued, and he was apprehended in El Paso, Texas. He admitted to the double homicide.

Greenwich Township, New Jersey.—On August 22, 1989, after making a routine traffic stop, a New Jersey State Trooper was shot. The trooper sustained seven shots, four of which penetrated his body in the lower neck, right hand, lower back, and above the knee; and three of which were fatal shots, but were survived by the trooper because he was wearing his bulletproof vest. The suspects fled the scene in the trooper's marked vehicle. The suspects were subsequently apprehended, and an Exam, 9 mm semiautomatic pistol and a Mac II were found in their possession, along with 309 vials of crack cocaine. An urgent trace revealed that the firearms were purchased in Dallas, Texas, on July 21, 1989, by a relative of one of the suspects. The suspects are members of the Shower posse and may be responsible for robberies and homicides in New York and Annapolis, Maryland.

Detroit, Michigan.—On April 28, 1989, a Federal search warrant was served on the residence of the mother of a slain narcotics kingpin. Seized pursuant to the warrant were the residence, three automobiles, and eight firearms. Two of the firearms had obliterated serial numbers. ATF Headquarters laboratory restored one of the numbers, and the firearm was traced to a Detroit Federal licensee. The licensee is known for drilling out the serial numbers and selling them without proper documentation. Several firearms seized in narcotics-related crimes have been traced to the Federal firearms licensee.

RESTORATION OF FIREARMS PRIVILEGES

This area of the Firearms Program involves investigating applications for the restoration of firearms privileges. During fiscal year 1989, ATF completed 1,026 investigations of these applications. Of those requiring a final decision by ATF, the Bureau restored firearms privileges to 318 qualified applicants and denied 216 applications.

INTERNATIONAL TRAFFIC-IN-ARMS

International traffic-in-arms [ITAR] involves the illicit movement of firearms into and out of the United States, which is a growing problem of worldwide concern. The Bureau is dedicated to maintaining an aggressive commitment towards neutralizing the illicit movement of firearms. Firearms of U.S. origin are used in violent crimes throughout the world and are often found in the hands of terrorists and narcotics traffickers. Liaison with foreign governments proves useful to our enforcement efforts and provides us with valuable data relating to the movement of firearms in and out of the United States. In fiscal year 1989, ATF participated in and conducted seminars for the Department of State Anti-Terrorism Assistance Program in Lima, Peru and Quito, Ecuador. Several other countries are expected to be scheduled for seminars in calendar year 1990.

In fiscal year 1989, ATF conducted major investigations directed towards the illegal exportation of firearms from the United States into Colombia and the Philippines. Typically, the strawman method is employed by the purchaser to cover the real identity of the person to receive the firearms.

ATF recently detailed two special agents to Bogota, Colombia, for 30 days. The purpose of the detail was to assess the extent to which American firearms are being used in crimes of violence in Colombia and to instruct Colombian police and military officials on the proper procedure for requesting traces of recovered weapons.

Based on our analysis of information gathered during this assignment, we believe that a great many firearms are ending up in the narcotics trafficking trade and terrorist activities.

To effectively impact on this activity, it is of prime importance to have accurate and up-to-date intelligence. To obtain this, ATF must maintain close liaison with Colombian law enforcement officials and with U.S. agencies operating in Colombia.

To accomplish these worthwhile goals, ATF has requested a permanent presence in Colombia with the assignment of one special agent. In addition to gathering intelligence on firearms trafficking activities, the agent will be responsible for providing firearms and explosives technological assistance and training to Colombian law enforcement officials.

The following are examples of our accomplishments under the ITAR program:

Tampa, Florida.—In November 1988, ATF initiated an investigation regarding a Federal firearms licensee who was selling firearms to Colombian nationals who, in turn, were smuggling the weapons from the United States into Colombia. The firearms were being sold to a Colombian drug cartel. To date, four suspects have been identified, and 157 firearms have been documented as being smuggled into Colombia.

San Francisco, California.—In April 1989, ATF identified a Federal firearms licensee who, during a 2-month period, sold 258 handguns to the same individual. The investigation disclosed that the suspect used several other individuals to smuggle the firearms into the Philippines in boxes containing auto parts. Philippine authorities have seized 70 of the handguns in Manila.

Los Angeles, California.—In September 1989, ATF initiated an investigation into the illegal exportation of firearms from the United States into the Philippines. The investigation disclosed the smuggling of approximately 800 firearms by two citizens of the Philippines. ATF is working closely with Philippine authorities to stop this illegal flow of firearms into the Philippines. As a result of this investigation, Philippine police officials have seized 31.4 firearms.

New York, New York.—ATF identified an illegal firearms trafficker who was using strawman purchasers in the New York metropolitan area to purchase firearms for him. The suspect smuggled the firearms into the Dominican Republic secreted inside air conditioner compressors. Dominican Republic authorities have already seized 150 firearms.

During fiscal year 1989, ATF completed 83 criminal cases with 205 individuals involved in the illicit international trafficking in firearms.

ARMED CAREER CRIMINAL APPREHENSION PROGRAM

Law Enforcement's historical confrontation with armed criminals, accompanied by the growing volume of illicit narcotics trafficking in the United States, has markedly increased the frequency of encountering the violence-prone offender and armed career criminal. To assist law enforcement in the battle against the armed career criminal and those who use firearms in furtherance of their illicit narcotics trafficking, the Armed Career Criminal Act, the Comprehensive Crime Control Act of 1984, and amendments in 1986 to the Federal firearms laws were enacted.

The enactment of 18 U.S.C. 924(e) in 1984 as part of the Armed Career Criminal Act provided a penalty enhancement provision of the already existing statute 18 U.S.C. Appendix 1202(a)(1), possession of a firearm by a convicted felon. This section was later recertified under 18 U.S.C. 922(g). As originally passed, the statute provided for a mandatory enhanced penalty of at least 15 years in prison for those persons convicted of possessing a firearm after having been convicted of three robberies or burglaries. The statute also specifically excluded reduction of the sentence by suspension and the granting of probation or parole.

As part of the Comprehensive Crime Control Act of 1984, 18 U.S.C. 924(c) was amended to require a mandatory sentence for a person convicted of using or carrying a firearm during and in relation to a Federal crime of violence. The amended statute mandated a 5-year prison sentence for the first conviction and 10-year sentences for the second and subsequent convictions. Probation, suspended sentences, concurrent sentences, and parole were all prohibited under the amended law. In 1988, Congress, recognizing the need for stronger firearms laws, amended 18 U.S.C. 924(c) and (e). These amendments mandated harsher sentences for those persons convicted of 924(c) violations and broadened the scope of 924(e) to include as a predicate offense any act of juvenile delinquency involving the use or carrying of a firearm, knife, or destructive device that would be punishable for a term exceeding 1 year if committed by an adult.

These sweeping amendments to the Federal firearms laws placed ATF at the forefront of the Nation's war against illicit narcotics trafficking. The Bureau took the initiative by establishing armed career criminal task forces in several target cities. The various investigative strategies utilized by these task forces were extremely effective in combating the armed narcotics trafficker and repeat offenders. As a result of our success in using task forces, a national project entitled "Achilles" was instituted in fiscal year 1987. Project Achilles was so named because the illegal possession of a firearm frequently is the Achilles' heel of the violent career criminal. The project is directed at targeting, investigating, and prosecuting those individuals who qualify for mandatory and enhanced sentencing under 18 U.S.C. 924(c) and (e).

Currently, all of our 22 Law Enforcement districts across the United States are participating in Project Achilles. Several of our districts have established both formal and informal task forces consisting of local, State, and other Federal law enforcement agencies, which jointly conduct investigations involving those individuals who are identified as armed career criminals or use firearms while trafficking in illicit narcotics. Those districts that do not have the personnel to adequately maintain task forces have dedicated agents to target and investigate potential Project Achilles violators.

Project Achilles is an integral part of our Firearms Program that has provided outstanding prosecutive results during its brief existence. Over the last 4 years, we have completed criminal cases that have resulted in enhanced sentencing under 18 U.S.C. 924(e) for 257 defendants. During the same period, we have obtained mandatory sentencing under 18 U.S.C. 924(c) for 407 defendants. Sentences thus far have totaled 6,682 years and are growing daily. These revised statutes have provided us with the capability to significantly impact future violent crime.

While 18 U.S.C. 924(c) provides for mandatory sentences, the 924(e) statute provides for an enhanced sentencing of 15 years for any individual convicted three times of a violent felony or drug-trafficking crime and possession of a firearm. Prosecution of such a criminal under this section of law requires close coordination with State and local authorities. Each of our 22 district offices has initiated these armed career criminal task forces which target and prosecute this felony offender. In fiscal year 1990, the Bureau is expanding Project Achilles by establishing eight new task forces in major metropolitan areas across the country. The following are examples of our accomplishments in this area:

Chicago, Illinois.—On April 3, 1989, a defendant with multiple felony convictions for burglary, and armed robbery was sentenced to 30 years. This sentence was the result of the subject pointing a handgun at a police officer during a traffic stop.

Houston, Texas.—On October 24, 1989, a defendant with six felony convictions for narcotics and burglary was sentenced to 40 years. The subject, who was engaged in the manufacture and distribution of methamphetamine, was involved in a shoot out with other narcotics dealers. Several handguns were found in his possession.

Manchester, Connecticut.—On June 6, 1989, a defendant with 27 felony convictions for burglary and other violent crimes was sentenced to 20 years. During the execution of a search warrant on the subject's residence, narcotics and firearms were seized. This was the first armed career criminal sentencing in the judicial district of Connecticut.

Cleveland, Ohio.—On July 1, 1989, a defendant with multiple felony convictions for robbery, burglary, and the sale of heroin was sentenced to 15 years. This sentence was the result of the defendant's giving false information to a Federal firearms dealer in the illegal purchase of a handgun.

St. Paul, Minnesota.—On May 25, 1989, a defendant with nine felony convictions for robbery, burglary, and firearms violations was sentenced to 19 years. This sentence was the result of the subject's being arrested while in possession of a handgun.

Dallas, Texas.—On December 8, 1989, a defendant with four felony convictions for rape was sentenced to 33 years. This sentence was the result of the subject's arrest during the rape of a female while armed with a handgun.

ATF's fiscal year 1989 convictions under 18 U.S.C. 924(c) were 247 defendants who received 1,398 years in prison and total convictions under 924(e) were 103 defendants who received 1,852 years in prison.

LE ASSISTANCE TO U.S. SECRET SERVICE AND STATE DEPARTMENT

During fiscal year 1989, ATF provided 10 staff years of assistance to the Department of State in their protection responsibilities during the United Nations General Assembly. The confidence other agencies have shown in our ability favorably reflects on the professionalism of our special agents.

LE EXPLOSIVES PROGRAM

During calendar year 1988, the latest year for which comprehensive information is available, there were 1,332 reported bombings or attempted bombings that caused 34 deaths, 204 injuries, and in excess of $11 million in property damage. In addition, more than 12 tons of explosives were reported stolen in 191 separate incidents. ATF's investigative efforts and those of other law enforcement agencies resulted in the recovery of 16.5 tons of stolen explosives. Although some stolen explosives are never reported as recovered, it is thought that significant portions of them eventually find their way back into legitimate uses such as mining, construction, and agriculture. However, with the continuing presence of large quantities of stolen explosives available, the potential for their criminal use remains high.

ATF's Explosives Program encompasses active investigations of criminal bombings and reported thefts of explosives; investigative assistance and training to State and local agencies in support of their explosives enforcement efforts; and protection of the public from potential injury, death, or property damage resulting from the improper storage or illicit use of explosives. In fiscal year 1989, ATF recommended 441 defendants for prosecution for violating Federal explosives laws. The explosives cases that follow show significant results achieved by ATF in this area:

Salem, Indiana.—On December 8, 1989, two defendants were sentenced in U.S. district court. The principal defendant received a 15-year, 8-month prison term, and his codefendant received a 12-year prison term. Additionally, each man was fined $1,450. These sentences stem from a 10-month joint investigation by ATF and the Indiana State Police into the July 5, 1988, detonation of 3 bombs and the recovery of 10 others in and around the town of Salem, Indiana. ATF's National Response Team played a significant role in this investigation.

Kansas City, Missouri.—On September 22, 1989, a seven count indictment and an arrest warrant were issued for a suspect in connection with the fire and subsequent explosion that killed six Kansas City firefighters on November 29, 1988. In addition, a written complaint was filed with the U.S. Attorney's office against the president and owner of the construction company that was at the site of the explosion. The complaint charged him with failing to adhere to the table of distances for storage of explosive materials, storing high explosives in a magazine with metal tools, and acquiring explosives storage magazines without notifying ATF. He was convicted of the charges on January 18, 1990. Sentencing is pending.

Marion County, West Virginia.—On April 26, 1989, a Marion County, West Virginia, deputy was seriously injured when a vehicle that had been rigged with a bomb exploded. The deputy had been dispatched to investigate the abandoned vehicle, which had in fact been stolen from the police impound lot in Worthington, West Virginia. Evidence recovered at the scene and information obtained during interviews led the investigators to the suspects, who were subsequently arrested. The vehicle belonged to one of the suspects, who had eluded the police and abandoned the car after a high-speed chase. The suspects then stole the vehicle from the impound lot and rigged it with a bomb that would explode when the door was opened. The vehicle was rigged with the intent of blowing up a police officer.

ATF's timely, effective, and professional response to explosives investigations is the result of enforcement support programs designed to enhance the investigative capabilities of its agents. Among these are:

Explosives Incident System [EXIS].—The EXIS program is a computerized source of all pertinent information on every ATF explosives investigation. Its importance as an investigative tool is considerable, for it provides the agents with readily accessible analyses of explosives incidents relative to their trends, patterns, bomb components, and modus operandi. The information obtained from EXIS is routinely forwarded to the U.S. Secret Service, the Federal Bureau of Investigation's Domestic Security and Terrorism Section, and U.S. military explosives ordnance disposal units.

National Response Team [NRT].—This program involves four specialized teams that can respond within 24 hours to any scene of a major explosion or a suspected arson. Organized geographically to cover the United States, the four NRT's are each composed of specialized investigators, technical specialists, and chemists. This specialized response concept is the only one of its kind offered by a Federal law enforcement agency.

Training.—ATF's investigative jurisdiction over explosives-related incidents has necessitated training in specialized areas. Each year, a number of agents are selected to undergo training in the latest techniques in the safe handling and destruction of explosive materials, post-blast scene investigation, and explosives training instruction. To ensure its continued expertise in these areas, ATF established an explosives certification and recertification program for its agents, the only such program offered by a Federal law enforcement agency. State, local, and other Federal law enforcement agencies have sought assistance from ATF in establishing similar programs for their officers and agents who have explosives-related responsibilities.

International Explosives Incident System [IEXIS].—This program was conceived by ATF in 1986 as a result of the increased threat posed by terrorism. IEXIS, like EXIS, is a computerized repository for historical and technical data to aid in investigating and monitoring international explosives incidents. IEXIS allows analysts to collect, maintain, and disseminate information helpful to investigators in determining motives, patterns, trends, and "signatures". The system provides comprehensive query and statistical reporting capabilities for incident investigations, and it also provides query capabilities for laboratory analyses.

IEXIS has continually evolved since its conception. Major refinements to this program have already been identified and these, along with enhanced EXIS capabilities, will be completed during fiscal year 1990. These major refinements will provide ATF with 4 technical libraries that will contain approximately 25,000 records. The libraries will provide ATF with the names of explosives, military ordnance, formula, and detonators.

STATE/LOCAL EXPLOSIVES TRAINING

ATF is committed to assisting State and local law enforcement in their efforts to curtail criminal activities involving explosives. As part of this commitment, ATF initiated the Advanced Explosives Investigative Techniques Course. Since its establishment in 1982, 775 State and local officers have attended this course. The course, developed in conjunction with the International Association of Bomb Technicians and Investigators, is considered state-of-the-art in post-blast scene investigation and has an enviable reputation within the law enforcement community.

PUBLIC SAFETY AND EXPLOSIVES

Familiar targets of ATF's enforcement actions are the manufacturers of illegal destructive devices such as M-80's. The chemical nature of the explosives used in the manufacture of M-80's is highly sensitive. This sensitivity, coupled with the quantities of this type of manufactured explosive and the lack of quality control, generates a potential for disaster that can be devastating. Consider, for example, a recent investigation initiated by ATF in Conneaut, Ohio. There, two explosions that occurred in a residential neighborhood on October 24, 1989, killed 2 people and injured 17 others, some seriously. In addition, 56 homes and businesses were damaged, and 7 homes were destroyed. The damages total $1.5 million. The investigation revealed that the explosions were caused by an illegal M-80 manufacturing operation. Law enforcement's interdiction of such operations is hampered by the view held by the general public that these explosives are "firecrackers". This is a gross misconception that is fueled by the public's lack of understanding regarding the dangers presented by M-80's and similar devices.

ATF approaches the threat posed by these explosives in two ways: first, through the disruption of the illegal and/or unsafe practices of the manufacturers, distributors, or transporters; and second, through the education of the public on the hazards presented by these explosives. As part of the first initiative, ATF joined with other Federal and State law enforcement agencies to form a special task force. The task force applies its knowledge of explosives licensing laws and regulations and the explosive materials distribution system to identify the receiver of the explosive materials used in the manufacture of illegal devices. In support of the second initiative, ATF continued its vigorous public awareness campaigns, utilizing its Public Affairs Branch, local law enforcement authorities. and the media to impress upon the public the seriousness of these explosives.

ARSON/BOMBING PROFILING

In 1987, ATF undertook a new initiative to more effectively address the increased threat posed by arson and the illegal use of explosives. Because of its leadership in the area of arson and explosives investigation, ATF was invited to participate in a 10-month fellowship program sponsored by the FBI's Behavioral Science Unit in Quantico, Virginia. The program involves criminal personality profiling of arson and bombing suspects. A special agent from the Arson Enforcement Branch completed the program in 1988, and a second special agent from the same branch is currently participating.

As in fiscal year 1989, ATF and the FBI are continuing their interviews with convicted arsonists and bombers. From these interviews, the profilers will develop a database to be used in identifying possible suspects based upon characteristics particular to a fire/bombing or a series of fires/bombings. This information will then be analyzed and compared, thus expanding the knowledge available to profile these types of crimes. Currently, all arson cases submitted to the FBI's Behavioral Science Unit for profiling are being completed by ATF.

ARSON ENFORCEMENT

Congress defined ATF's jurisdictional role in the investigation of arson crimes with the passage of the Anti-Arson Act of 1982. In promoting this role, ATF committed itself to providing investigative assistance to Federal, State, and local agencies to fight the national arson problem. In fiscal year 1989, ATF responded to 446 incidents nationwide that resulted in 49 fatalities and 126 injuries. In addition, ATF's joint enforcement efforts "saved" the insurance industry $29.8 million. This money has been "saved" in the sense that, in the absence of these effective law enforcement efforts, the insurance industry could have potentially paid out $29.8 million in fraudulent insurance claims. Since 1980, these savings have amounted to $382.4 million.

ATF's investigative emphasis is directed toward arson-for-profit crimes involving industrial and commercial targets that affect interstate commerce. The complexity of this financially motivated crime sometimes unravels a series of other major felony crimes that may reach beyond state and national boundaries. In fiscal year 1989, ATF recommended 347 defendants for prosecution for arson crimes. ATF is confident that the direction of its investigative activity is compatible with the overall Federal role required to combat the crime of arson.

ATF's past and continuing efforts to combat arson crimes include the use of many investigative techniques, one of which is the National Response Team concept. The immediate deployment of a highly trained and specialized team of agents and support personnel to the scene of a major arson has proven to be extremely effective and successful. Of 215 activations for the four teams in the past 10 years, ATF's solution rate for determining the cause and origin of the incident is 91 percent.

Another investigative technique is the use of a canine to determine and pinpoint the location of suspect accelerants. While instruments can also detect these accelerants, experience demonstrates that for speed and efficiency, the olfactory abilities of a canine are superior. ATF's program with the Connecticut State Police to train canines to identify accelerants has exceeded all expectations. The unprecedented success of this program, which is currently administered by the Connecticut State Police, has generated considerable interest from law enforcement agencies throughout the United States and Canada. Moreover, with the proven value of a canine as an aid in fire investigation, further examination of the investigative applications of canines is justified.

The magnitude of the arson problem nationwide precludes any one agency from effectively addressing the problem. ATF's arson task force concept continues to be one of the most successful weapons to attack this problem. The implementation of such a concept, which provides maximum efficiency through the pooling of ATF and State and local talents and resources, has proven vital in the swift identification and prosecution of those responsible for perpetrating the crime of arson. The concept has also fostered interagency cooperation. ATF currently has task forces in the cities of Seattle, San Francisco, Houston, Los Angeles, Chicago, Boston, New Orleans, New York, Philadelphia, Pittsburgh, Kansas City, Detroit, Newark, Dallas, and St. Paul.

ATF continually strives to perfect its mutual enforcement efforts by offering creative and innovative training programs. Among these training programs are:

Advanced Arson-for-Profit for State and Local Officers.—This 2-week course, unavailable anywhere else, offers unique, state-of-the-art training involving indepth investigations into arson-for-profit cases beyond the cause and origin determination. Since its inception in 1982, over 800 State and local police and fire service personnel have attended this highly acclaimed course.

Arson-for-Profit for Prosecutors.—This 1-week course was designed to educate prosecutors at both the Federal and the State level on the crime of arson. The course acquaints the prosecutor with the cause and origin determination of a fire as well as the legal considerations necessary to successfully prosecute a case that is based primarily on circumstantial evidence. Since its inception in 1986, over 200 prosecutors have received this training.

Arson-for-Profit for Insurance Claim Supervisors.—This 1-week course is designed for insurance company claim supervisors. The course familiarizes the insurance personnel with ATF's arson task force policy and the intricacies of investigating an arson-for-profit crime. Since its inception in 1986, over 200 insurance claim supervisors have received this training.

ATF initiated its own cause and origin training program to assist its field offices and to augment the assistance provided by its State and local counterparts. This cause and origin training, 2 years in length, encompasses formal instruction and field experience. Twenty-two ATF special agents completed the training in 1988, and 22 more are being trained.

The following is a sampling of ATF's work in the area of arson investigation:

Harvey, Illinois.—On May 15, 1989, a fire occurred at Brown's Famous Steak House, causing $500,000 damage. An investigation ensued, and a suspect was developed. As a result of investigative efforts, the suspect (the owner of the restaurant) pled guilty to arson charges and was subsequently sentenced to 4 years' imprisonment. This case is significant because it was based almost entirely on circumstantial evidence.

Waco, Texas.—On February 23, April 5, and April 6, 1989, fires were set at the Central Texas Chiropractic Clinic. The fires caused damage in excess of $450,000. The initial investigation conducted by ATF and the Waco Police and Fire Departments revealed inconsistencies in the financial statements of the clinic. Further investigation revealed that an employee of the clinic had endorsed checks to the clinic without authorization. Discrepancies in statements made by the employee in an interview prompted the execution of a search warrant at her residence. There, the investigators uncovered incriminating evidence, including a signature stamp, bank deposit records, and deposit envelopes. During a subsequent polygraph examination, the employee admitted to setting the fires in an attempt to cover up the fact that she had embezzled funds from the clinic. On October 6, 1989, the employee pled guilty to arson charges and was sentenced to 37 months' imprisonment and 3 years' supervised probation. She was also ordered to pay $472,000 in restitution.

Miami, Florida.—On December 28, 1989, a defendant in an arson-for-profit case was sentenced to 32 years' imprisonment. His codefendant was previously sentenced to 6 months' imprisonment and 3 years' supervised probation. The sentences stem from a 1-year investigation that began on September 6, 1988, when the National Response Team responded to the scene of a $5 million arson fire at the International Warehouse Distribution Corporation [IWDC] in Miami, Florida. The defendant was the leader of an arson ring that was responsible for at least three, multimillion dollar arson fires, of which the IWDC fire was one. Total losses as a result of these fires are estimated at $15 million.

Toledo, Ohio/Fairfield, New Jersey.—On October 17, 1989, an ATF fugitive was arrested in New Caldwell, New Jersey. It is believed that at the time of her arrest, the fugitive was in route to an abortion clinic in Fairfield, New Jersey, to attempt a second arson at the location in a 3-day period. The subject was a fugitive as a result of a multiple-count indictment rendered in 1987 in Ohio. The indictment charged her with committing two abortion clinic arsons and making telephonic bomb threats. She was also being sought for bond jumping, for being a prime suspect in abortion clinic arsons in Pennsylvania and western Maryland, and for assaulting ATF agents during her arrest on the charges stemming from her indictment. On November 2, 1989, the subject was indicted for the attempted arson of the abortion clinic in Fairfield, and on November 6, she was sentenced to 10 years' imprisonment for the assault charges. She still faces the Federal charges for the two abortion clinic arsons, the telephonic bomb threats, and the bond jumping.

EQUAL OPPORTUNITY

Finally, but by no means least important, are the equal opportunity activities of the Bureau. Equal Opportunity responsibilities are included in performance standards for all Bureau executives and managers who are responsible for implementation of the Bureau's affirmative action plan. Equal opportunity continues to be an integral part of the Bureau's mission as evidenced by the noteworthy accomplishments.

The Bureau has in place a Multi-Year Affirmative Employment Plan [AEP] prepared by the Office of Equal Opportunity and approved by the Equal Employment Opportunity Commission [EEOC]. Through enhanced recruitment efforts, there is now full representation of minority male Special Agents in Law Enforcement. Although females have historically been underrepresented in Federal Law Enforcement, the representation of female Special Agents has risen 256 percent in the past two years and they now represent 9 percent of the Special Agent work force. These results are largely due to the Minority Impact Program [MIP] initiated by Law Enforcement several years ago. Nine percent (9 percent) of the Law Enforcement supervisory positions are filled by minorities and women and, as the pipeline of minorities and women in the work force grows, these figures are improving.

Compliance Operations continues active recruitment efforts to hire minorities and women inspectors and auditors. Both white and minority women are fully represented in the inspector series. Compliance has initiated a targeted recruitment program called Compliance Affirmative Minority Employment Outreach [CAMEO] to address the underrepresentation of minority males in this series.

The Office of Equal Opportunity spearheaded a program within Treasury to coordinate Special Emphasis Programs and observances within the Department providing a unique forum of cooperation among the Bureaus.

We continue to have a strong belief in the Equal Opportunity Program and our commitment to the program has been clearly communicated to all of our managers, supervisors, and employees.

VIDEO PRESENTATION

Mr. HIGGINS. Each year we try to emphasize a program or a problem of timely significance. This year we would like to give you a short video look at our efforts here in the Nation's Capital to use the statutes and resources you have given us as we continue to target violent, armed, career criminals, particularly those involved in narcotics related activities.

The film you are going to see was actually filmed by the Law Enforcement Television Network [LETN], which is a company in Texas that provides a law enforcement video network. They filmed this for airing on their program, and we have taken excerpts with their permission.

The only thing I would like to add before showing the film is our sincere appreciation for your continuing interest in and your support of our Bureau's missions and programs. I think we have used the resources you have given us in a responsive, effective, and professional manner with impressive results. So, Mr. Chairman, with your permission, we would like to show the videotape of the operation here in Washington, DC.

Senator DECONCINI. Sure, go right ahead. Turn off the lights there, some of them.

Senator DOMENICI. Mr. Chairman, while you are doing that, I was just head counting here, and with the addition of Mr. Libertucci, it is four against four. [Laughter.]

Mr. HIGGINS. Mr. Chairman, until you pointed out that fact—until Mr. Domenici did—Mr. Libertucci thought he had gotten that job by his performance. He didn't realize it was only for today.

Senator DECONCINI. Obviously you wanted to play up to the committee, right? [Laughter.]

Senator DOMENICI. We thought you were giving in to us and having a new practice to hire Italians.

[Video presentation.]

Mr. HIGGINS. We are ready to proceed to answer your questions.

PRESIDENT'S REQUEST

Senator DECONCINI. Mr. Higgins, the President's fiscal year 1991 budget request for the Bureau of Alcohol, Tobacco and Firearms includes the 185 additional agents and inspectors to fully implement the President's 1990 anticrime initiative. However, as I understand your budget, while the President has provided the additional $14.2 million for the 185 positions, due to absorption of the pay raise, AUO and A76 savings, your budget includes a reduction of 185 positions affecting just about every program within ATF, including the Armed Career Criminal Program.

If you have to take the reductions as proposed in the President's budget, what impact will this have on your ability to meet the goals outlined for ATF in the President's national drug strategy?

Mr. HIGGINS. Well, I think it is all a question of priorities, and certainly combating drug trafficking is one of the two top priorities we have. The other is responding to bombings. We are going to make every effort possible to use the people we do have in the war against drugs. Obviously, that means we must take some from other areas.

Senator DECONCINI. Something else will have to give, right?

Mr. HIGGINS. Certainly.

DRUG CONTROL STRATEGY

Senator DECONCINI. You can't enforce the priorities of drugs and bombing and meet the President's drug control strategy without these additional people, is that fair to say?

Mr. HIGGINS. Well——

Senator DECONCINI. I mean without putting people into the positions they are calling for.

Mr. HIGGINS. I think it is important that we keep that effort in drugs. An option we have is to cut in nonpersonnel areas, but we simply do not think that it is fair to have people on board who are not fully equipped, not fully trained, and who do not have the money they need to be properly supported. From our standpoint, our options are to either take the money from nonpersonnel areas or from personnel areas.

Senator DECONCINI. I hate to put you on the spot, Mr. Higgins, but I am going to do it anyway. Were you consulted about this strategy versus the budget, that 185 positions would be given and 185 would be taken away?

Mr. HIGGINS. We were consulted, as all the Treasury agencies were, in that we were asked to set forth our needs. We think we were given a fair hearing by the Department and they supported us partially. Then the numbers went to OMB where additional cuts were made.

They are probably the only ones in a position to know whether or not they could have given ATF more money. I think this is their judgment, that everybody has competing demands and this is the best they could do for us. So, I think the process was open. We had a chance to make our argument and we simply didn't prevail. Mr. Nummy may want to expand on that.

Senator DECONCINI. Do you want to expand, Mr. Nummy?

ABSORPTION ISSUES

Mr. NUMMY. I would just say that the issues that we are dealing with are absorption issues and those are issues we deal with every year. We did consult with ATF about where they felt the best place was they could take those absorptions. As Mr. Higgins said, their judgment was—which I think we concurred with—it makes no sense to hire people and then have them sit in a room, so you hire fewer people and equip them as best as you can.

Senator DECONCINI. Mr. Bruce Carnes of Secretary Bennett's office was before the Judiciary Committee on February 2. We asked him about this strategy versus the budget. He said that the drug czar's office was going to revisit the personnel cuts with the agencies and OMB and that the drug enforcement agencies originally slated for personnel reductions would not be subject to such reductions.

Have you heard anything from OMB or from the drug czar's office?

Mr. HIGGINS. What we have heard, and I think Mr. Nummy alluded to it also, is that we were asked to look for ways of taking the cuts other than through personnel, and right now, to be honest with you, we haven't found a way to do that. We are still involved in discussing it with both the Department and OMB.

Senator DECONCINI. I understand OMB has sent out a directive of suggestions or recommendations that you take the reduction someplace else instead of in the drug programs, is that right?

Mr. HIGGINS. Yes; they have suggestions for taking the cuts in other areas.

Senator DECONCINI. And can you do that, do you think?

Mr. HIGGINS. Well, we can take it out of areas that don't relate to drugs, which is what we have really done, so I want to make sure those two things are separated. We are going to keep the effort in drugs.

Senator DeConcini. So you are going to keep the effort up in drugs. In other words, you are going to have the additional drug personnel, but something else is going to have to give and is going to be cut?

Mr. Higgins. Right.

ABSORPTION IMPACT

Senator DeConcini. That is kind of foolish, isn't it?

Just yesterday Senator Domenici, Senator Rudman, and Senator Hollings of the Subcommittee on Commerce, State, and Justice and I sent a letter to Secretary Bennett suggesting that in light of the absorption of these costs in so many different areas and the reductions they would cause—185 positions in BATF, 757 in Customs, the absorption of $42 million by the FBI, causing cuts of 115 agents, and the DEA has to absorb $14 million, with less agents—that we recommend that the special forfeiture fund proceeds that now are being proposed by Secretary Bennett to be spent for a National Drug Intelligence Center, be used for the AUO absorptions, roughly $101 million, by our calculations.

If that were done, would that give you the kind of relief that your agency would need?

Mr. Higgins. Well, if we didn't have to absorb AUO, I think that would be in the neighborhood of about $6 million. That would certainly enable us to hire——

Senator DeConcini. How many of the 185 positions could you hire, do you know?

Mr. Higgins. I think it is around 100, but I am not sure.

Senator DeConcini. About 100.

Mr. Higgins. That amount would fund 97.

Senator DeConcini. More than 50 percent?

Mr. Higgins. Yes, sir.

FIREARMS IMPACT

Senator DeConcini. Mr. Director, regarding firearms, your justification states that the reduction of 122 FTE's from your firearms law enforcement program will result in 802 cases not being initiated and 646 suspects not being recommended for prosecution.

What does this mean in terms of the cases that are referred to ATF, and does this mean that you will be turning away cases and not undertaking the proper investigations leading to prosecutions?

Mr. Higgins. Well, I think it is a matter of priority. It just cannot happen any other way. With fewer people, we will not conduct as many investigations. Hopefully, we will be able to exercise the judgment within those cases to make sure the very worst ones——

Senator DeConcini. So just to revisit and lay the foundation here, if you didn't have to lose 185 people overall, you would not have to make personnel reductions in the firearms enforcement area?

Mr. HIGGINS. That is correct. We would restore the cuts in the reverse order in which we take them, and the Armed Career Criminal Program would be restored first.

TRACING OF STOLEN FIREARMS

Senator DECONCINI. What impact will this have on the tracing of guns and stolen firearms if you have to go through with these reductions in FTE's?

Mr. HIGGINS. It is possibly the least impacted, because our tracing center would not be affected as such. In terms of the investigations we would have made and the information that we would have obtained on guns from those cases that we would be foregoing, we will lose those guns and the tracing of those guns. However, we should be able to maintain tracing for State and local law enforcement agencies who originate the bulk of our trace requests.

Senator DECONCINI. Because that is done with computers and information that you already have.

Mr. HIGGINS. Tracing information is derived from records maintained by firearms manufacturers and licensed dealers as required by law, and is not computerized by ATF.

Senator DECONCINI. Do you have any recent information on the types of guns being used in violent crimes? Can you share that with us?

Mr. HIGGINS. Yes; and I would qualify this by saying that when I talk about the guns we trace, and we trace about 41,000 guns a year, the overwhelming majority of those guns have been used in some sort of crime. As a matter of interest, about 10 percent of the weapons we traced last year were semiautomatic pistols or rifles. The leading weapon of those we traced actually was the KG–99, or TEC–9. It has been renamed. The TEC–9 is a semiautomatic pistol which is manufactured in Florida. Almost 1,000 of the 4,000-plus semiautomatic weapons were of that make.

Next to the TEC–9 was the AR–15, followed by the Uzi, then the AK's and on down the list.

Senator DECONCINI. Do you have one of those to show us here?

Mr. HIGGINS. Yes; committee staff asked us to bring one.

Senator DECONCINI. This is the TEC–9?

Mr. HIGGINS. Yes; I brought the TEC–9.

ASSAULT WEAPONS

Senator DECONCINI. This is the primary gun of choice?

Mr. HIGGINS. Of the assault weapons, and you can see why. It is not hard to understand why narcotics traffickers, especially, would want these kinds of guns. They are either protecting a lot of money or they are out to make—these are not loaded—don't get nervous if it happens to point toward you. Although you never want to believe a gun is not loaded, we made sure three different times that these are not.

Senator DECONCINI. This gun is not loaded.

Mr. HIGGINS. I will point it toward me and slide it to you this way.

That is the TEC–9. That is the one that showed up the most.

Senator DeConcini. That is the one that showed up the most in your tracing and in your investigations?

Mr. Higgins. Yes; and you can see why. I mean, that is a gun that has considerable firepower. These people have a lot of money and they want to protect it. Also, in a drive-by shooting, they don't drive by and shoot with a Saturday night special.

Senator D'Amato. How many rounds at a time does that shoot?

Mr. Higgins. It can hold different kinds of magazines. That may be 20, but you can get them up to 36.

Senator D'Amato. Is this rapid fire?

Mr. Higgins. Yes; as quickly as you can squeeze the trigger. This is semiautomatic, so it takes a squeeze for each time you fire it.

Another thing they do is tape on a magazine going the other way so all they have to do when they exhaust the first magazine is simply whip it over to the other magazine and stick it back up. It only takes a matter of 1 second to change the magazine and double your firepower.

ASSAULT WEAPONS COST

Senator D'Amato. What would that sell for on the market?

Mr. Higgins. From $200 to $300. It is domestically produced in Florida.

Senator DeConcini. It doesn't look like a sporting rifle, does it? It's not something you go hunting deer or something with?

Mr. Higgins. There probably are not many people saying they use that for hunting.

BANNED WEAPONS

Senator DeConcini. Is this one of the weapons, or a similar weapon to this, which the President has banned?

Mr. Higgins. No; this is a pistol. This gun probably could be imported into this country because it would meet the factoring criteria. It could be imported into this country as well as made here.

The import ban affects semiautomatic rifles. Incidentally, we have an AK here if you want to see it. This is the AK-47, and this is one that can't be imported into the country.

Senator Domenici. This is the one that is banned by the President's order?

Mr. Higgins. That is one of the guns that is banned by the President's order.

Senator Domenici. Where is this made?

Mr. Higgins. They are made in several different places. They are made in China and Egypt. There are probably two or three other countries that make them. They are patterned after the Soviet weapon.

Senator Domenici. How big a magazine does that have? Varying sizes?

Mr. Higgins. Again, that could have 24, 36, whatever you would want to put in it.

Senator Domenici. You can take that back, Mr. Chairman.

Senator DeConcini. Unless you want to keep it.

Senator Domenici. No; I hunt dove, but that——

Mr. HIGGINS. If you lay down the right pattern the dove might fly into it.

ADEQUATE ENFORCEMENT OF LAWS

Senator DECONCINI. During the Judiciary Committee hearing, Mr. Higgins, the national drug strategy director, Mr. Bennett's chief of staff, John Walters, stated there was no need for an export ban on automatic assault weapons. What he said is that what we needed was a proper enforcement of the existing laws.

I agree with Mr. Walters that we need more enforcement. However, how can you adequately enforce the laws to trace guns being exported if the budget is going to cut your positions? You are obviously going to suffer a substantial reduction in what you can do in terms of enforcement, right?

Mr. HIGGINS. Yes; it is fair to say that these investigations will not get the same attention. If they are drug related we will do everything possible to continue them, but something is going to have to give. And I also agree with Mr. Walters we have laws on the books now that make it illegal to export these kinds of weapons, so we must get better information. I think with that, we will be more productive. But to answer your question, we cannot do as much without resources.

ACHILLES PROJECT

Senator DECONCINI. Referring to your film and the Achilles project, can you give us quickly what cities are going to receive task forces and what the dates are—maybe you want to supply them—when they will be operational?

Mr. HIGGINS. Yes; all eight will be operational by March 26. They will be in Philadelphia, New York, Detroit, Los Angeles, Phoenix, Miami, Chicago, and Washington, DC.

Senator DECONCINI. And they will all be operational by March 25?

Mr. HIGGINS. March 26. Most of the people are in the midst of being transferred. We are staffing them with experienced agents so these will be extremely effective task forces.

WEAPONS SEIZURES IN MEXICO

Senator DECONCINI. Last year, Mr. Higgins, we talked about cooperation with Mexico in regard to exchanging information on weapons seizures, and I believe you testified that ATF had approached Mexican law enforcement officials about providing ATF with information such as serial numbers, but you had not yet been supplied any information.

With the increase in the number of weapons seizures along the southwest border that I am aware of, and probably a lot that I am not, I would think it is critical to ATF's success in going after those individuals who are illegally supplying the weapons that Mexico fully cooperate in this area.

Is ATF receiving any information at this time on weapons seizures from Mexico and Mexican officials? Do you have any ongoing investigations with them?

Mr. HIGGINS. I almost sound like a broken record. I told you I thought it would be better next year than it was last year. We are not getting that information. What we have proposed, and I think we have the Department's support, is to send at least one, or perhaps two people down there to maintain some relationships.

Senator DECONCINI. In the Embassy there?

Mr. HIGGINS.They would be assigned to the Embassy. The difficulty, and we found the same thing in Colombia, is that we establish relationships with their people and educate them as to what we need to trace these guns. Then we return and find that those people have rotated into other jobs. It is very hard to do on temporary detail. So we are looking at it from a different perspective.

Senator DECONCINI. So, can I put words in your mouth, you are not getting cooperation with Mexico?

Mr. HIGGINS. Well, I don't want to say we are not getting cooperation. We are not getting sufficient information in terms of guns that are turning up down there.

Senator DECONCINI. You are getting no serial numbers from them?

Mr. HIGGINS. We get a few, but a very few.

Senator DECONCINI. Senator Domenici, do you want to ask some questions?

PAY ABSORPTION

Senator DOMENICI. Yes; thank you, Mr. Chairman.

Let me ask Secretary Nummy, one of the things that is becoming very apparent is that pay absorption is kind of going wild around here as a tool for appropriating more fully than we are justified and then in a wrap-up provision we say there will be a cost-of-living increase and everybody will have to absorb its full impact.

We have gone through various levels of absorption in the time you have been around here and prior to your joining Treasury.

It is my recollection that even though we had pay absorption for a long time, we had a level that did not require such draconian impacts. Pay absorption as a notion wasn't bad. It really meant that there are a number of things going on in a year such that you really don't need the entire full dollar of pay because of transient pay, because of a lot of other things, but aren't we getting to a point where the percent that we expect is extremely high and inevitably will result in cuts in the operational budgets and ultimately result in FTE's being reduced?

Mr. NUMMY. I think that to some extent it depends upon the particular agency you are dealing with, but I think your basic premise is exactly correct. If you do it for 1 or 2 years there are always efficiency gains, but when you do it year after year after year, it begins to compound itself.

Senator DOMENICI. And then a higher percentage, too.

Mr. NUMMY. It becomes a higher percentage. There are agencies in Treasury, and ATF is one of them, that have had absorptions in nonpersonnel areas over a number of years. They have faced this problem and have made reasonable absorptions so that to support to-personnel could continue.

Senator DOMENICI. Mr. Chairman, let me just suggest it is one thing for the President to take a budget that has been reduced in FTE's because of absorption or the like and then send us one that doesn't add it back in, which we will have to address, but it is another thing for us to sit by as appropriators and let the appropriation process go merrily along its way and assume at the end we will have pay absorption and it will have no effect.

I think you as chairman, and I as your ranking member, ought to kind of start passing the word around to the other chairmen and ranking members that we are not going to be able to do this, that they are going to have to take a portion of the pay and plug it into their bills, or give us an allowance to put in an overall recap bill.

We are going to have this occurring in every agency that is personnel-intensive and has full-time equivalents [FTE's] that are very important and are going to get big whacks.

Now, we can't do anything about Gramm-Rudman sequester, it took a whack off, too, and——

Senator DECONCINI. But we can do something here, you are right.

Senator DOMENICI. But on this we really——

Senator DECONCINI. The other subcommittee, you know, that deals so much with drugs is the Hollings-Rudman, Commerce, State, Justice Subcommittee. They have got the same problems.

FIREARMS IN THE MARKETPLACE

Senator DOMENICI. Sure, and we just put a provision in our bill giving the pay raise and told everybody to pay for it or absorb it. It turned out that they had fully funded right to the top dollar and they didn't have a few hundred million left over to pay these costs so the result was full absorption.

I just think it is getting to be a very bad practice in a way of letting us think we are funding all these programs and then the good programs take it in the neck every year.

Let me ask, with reference to firearms, and I am aware of the losses, I was going to ask you about them, the chairman has, in full-time equivalents and the impact. Could I just talk about firearms in the marketplace for a minute.

First, does the kind of program that you showed us there require a great deal of coordination, not only with locals but with other feds?

Mr. HIGGINS. Absolutely.

Senator DOMENICI. Just briefly, how does that work?

Mr. HIGGINS. We used Washington, DC, last year as a pilot project. We knew that project would be of limited duration and we brought people in.

We go into an area and work with the local police department to try to identify those people who are armed and committing disproportionate numbers of violent crimes in that area. We identify those people and target them for intensified investigative effort. We work with DEA, for example, to find out who the major narcotics traffickers are.

Senator DOMENICI. Hold on a minute. Let me just do my question better. I understand that.

One of the problems we definitely have in the war on drugs, just as an example, leaving the States out, is we have got a number of Federal agencies involved in trying to address this war, even at the criminal level. You are one, the FBI is one, the DEA is one, so we immediately have Justice, we have Treasury, and probably even have Interior involved someplace.

I guess I just want a statement, if you have got it, on whether there is growing cooperation and game plan development among the Federal agencies? Are we all running around kind of ad hoc——

Mr. HIGGINS. I think the organized crime drug enforcement task forces [OCDETF] are really where a lot of Federal agencies are working together. I think OCDETF is an excellent cooperative effort and the U.S. attorneys are a big help in making sure that it is coordinated.

When you get into other projects, whether they are DEA projects or ATF projects, I like to think that most of us, through what we call law enforcement coordinating councils, are working closely enough together that each knows what the other is doing. In many of these task forces, we will have representatives from other Federal agencies working with us as part of those task forces, coordinating our operations to make sure that we are not unknowingly targeting the same people.

It is like everything else, I think we need to continually talk, and we can do a better job of working together. But I think it is best in OCDETF. It is perhaps being done less well in some of the special projects. But I think the potential is there, and I think that people are doing a good job.

Senator DOMENICI. OK. Now, that one you did, you gave us some preliminary kind of what we accomplished statements.

Mr. HIGGINS. Right.

MANDATORY SENTENCING

Senator DOMENICI. The ultimate, if this program is going to work and if the premise in this country is mandatory sentences for these people, they have got to be sentenced.

Mr. HIGGINS. Right.

Senator DOMENICI. The rest of it is kind of nice and it is interesting, but if that is the premise upon which the program is built, who follows through to see how many of these people that you have put the wraps on here actually end up someplace?

Mr. HIGGINS. We follow it. We track it for you and then we provide you with quarterly reports. All the people that we arrest get either the 5-year sentence or the 15-year sentence.

Senator DOMENICI. Do you know of the ones that don't, also, or just the ones that do?

Mr. HIGGINS. We show you the ones who we bring charges against and who receive sentences. We have some data which shows dismissals and so forth, but those are a very small number. The quarterly report that we give you shows only the ones who were sentenced. These have been approximately 1,000 defendants sentenced since Project Achilles started.

Senator DOMENICI. So 1,000 have gotten mandatory sentences?

Mr. HIGGINS. Yes; approximately 600 have received sentences of at least 5 years, and approximately 340 of this 1,000 have received mandatory sentences of 15 or more years with no probation, no parole. So we are getting some good sentences. I think you all have done well in giving us some statutes that have teeth in them.

SALE OF GUNS

Senator DOMENICI. Now let me just go to one other area and then I will quit.

The kind of issue that raises the most emotions out there in the country has to do with the area of the sale of guns. Some are talking about banning certain weapons. I am not talking about that issue now. There may be a broader ban and there may not at the end of the year. But for now, there are hundreds and hundreds of businesses that are legally licensed to sell firearms, and you find a community where somebody who has been mentally ill, has a gun, or goes and buys one, and kills three people. It turns out that 5 years before they were in a private mental hospital and diagnosed as paranoid schizophrenics and are out and are on the streets.

Now let me ask you, just take that example and anything like that, that person's record would not be available in any reasonable timeframe to any licensed dealer in the United States, would it?

Mr. HIGGINS. In most States that is probably the case. Most States would probably not let a dealer have access to mental records of any kind. It is very tough to obtain a record of whether somebody has been adjudicated mentally insane. So I think your premise is right, that that would not be reasonable.

Senator DOMENICI. Well also it is a truism, you can take it from me, that of those found medically mentally ill by competent medical people, only a tiny few are adjudicated in the courts. I mean, probably 20 to 1 that are sitting in a clinic and a doctor has found them mentally ill, don't end up being adjudicated against.

My concern is are we doing anything in the overall area of trying to consolidate information and make it available to those who sell firearms. You know, we get besieged with questions like, Why don't you have a 5-day waiting period for that person? And we have to write letters saying it is a good idea but nobody would have found out about this person anyway.

Now, we also find that information is not available even in the area of criminal activities. I am a little licensed gun dealer in Northeast Heights of Albuquerque and you walk in. You want to buy a gun, you fill out all that little form.

It seems to me that at some point in time this country ought to reach the point where such information is immediately available. You know, if you want to charge on American Express you just hand them the American Express card and they just punch it in a machine or they might call on the telephone to see what your credit is.

It seems to me that there ought to be a way for every licensed dealer one of these days to have a little machine in their office and say, here it is; it is Jim Jones, address so and so. We shouldn't have to wait 60 days; we ought to have a record there that this fellow is a felon, we can't sell him a gun.

Who is developing that? It is a private sector activity, I understand.

Mr. HIGGINS. Yes.

Senator DOMENICI. Where is it these days?

Mr. HIGGINS. There are some States which have a system like that. Illinois, for example, has a firearms owner identification card for which you have to make application and which requires a background investigation. Once the card is issued, the owner may use the card for a set period, up to 2 years, in order to buy weapons.

That was one of the options that the Attorney General looked at when asked by Congress to recommend a system for the investigation of felons and other disabled people.

That is not the type system that was recommended by the Attorney General. The Attorney General recommended beefing up the FBI file.

Senator DOMENICI. But is there somebody out there trying to move the technology of providing access to people who need access to these kind of records in a more orderly manner, aside from the cards?

Mr. HIGGINS. Yes.

Senator DOMENICI. You have to have access first, or even a card isn't any good.

Mr. HIGGINS. The Attorney General is probably the best one to ask, but his recommendation is that the FBI files be completely automated. Currently, a certain percentage is automated. This information could then be consolidated. You have to have the information complete before it makes any sense for the dealers to access it, and that would be down the road.

So there are some steps in that direction, but it is a long way off, to be honest with you, before that will be done.

Senator DOMENICI. Mr. Chairman, I have no further questions. Knowing of your genuine interest in this area, it just seems to me that whatever we could do to push the technology of making information available would be a giant step in the right direction, as compared with all of the emotion——

APPLICATIONS REVIEW

Senator DECONCINI. If the Senator would yield for a followup question. If I understand the ability you have now where you do review applications for gun dealers, you are likely to have to cut some people out of that area if you have to absorb this 185-personnel increase in the drug effort, right? So you are going to have to provide less service?

Mr. HIGGINS. Well, that is in qualifying the dealers. Yes; in that area.

Senator DOMENICI. But I am talking about giving the dealers access to information about those who buy from them.

Senator DECONCINI. My point, Senator Domenici, is that the job that they are charged with now, qualifying dealers, is going to get cut. And if they did have something to check on like you suggest, they don't have the personnel either. They do not even have the personnel to check the dealers, because they are going to take a cut there.

Senator DOMENICI. Well, how many overall personnel do you have?

Mr. HIGGINS. With reimbursals, we have an average of 3,850.

Senator DOMENICI. And you are going to cut how many?

Mr. HIGGINS. This year we gained 185 and lost 185, so it comes out even.

Senator DECONCINI. It comes out even.

Senator DOMENICI. All right. So, I mean, every single activity you are accomplishing is not being cut, is it?

Mr. HIGGINS. The intent was to annualize the crime bill that passed last year, which provided 185 people. We were given that 185.

In order to stay within our budget dollars, we cut 185 out of all programs. It is not across the board because we cut some programs more than others, but we have cut almost everything other than drug-related areas.

Senator DOMENICI. Mr. Nummy, if we wanted to put some money in and urge the consolidation of effort toward the technology of making available information regarding felons and misdemeanor people on a broader scale through the technology of today with whatever lockups and secrets we had to maintain, which department would we ask the money be put in to move this technology out, do you know?

Mr. NUMMY. I wouldn't be able to answer that off the top of my head.

Mr. HIGGINS. The Attorney General probably feels it should be the Justice Department.

Mr. NUMMY. It would, obviously, be a choice between Treasury and the Department of Justice, and it is not an issue I have looked at, but I would be glad to get back to you.

Senator DOMENICI. Thank you.

Senator DECONCINI. Senator D'Amato.

PERSONNEL REQUEST

Senator D'AMATO. Let me, if I might, just touch on something. You say the personnel is going to be at the same level because you received 185 positions and you lost 185, to give you 3,850 agents. Your request was for 4,289 agents and support personnel; is that correct?

Mr. HIGGINS. I think that sounds like what our original number was, but that was early in the process. That is how much we asked the Treasury Department for, and then they, as they do each year, looked at it and determined what they felt was fair. It was then reviewed and cut by OMB.

But I think that sounds like our original request. I can provide that for you.

Senator D'AMATO. So that puts you down 439 from your request?

Mr. HIGGINS. That sounds right.

Senator D'AMATO. So I think we ought to put that in the record. We are all saved by the bell. That probably means another vote.

We are voting on very important issues, whether or not organizations in the District should be able to ban homosexuals from giving instructions in schools, as amended by another amendment that says no, if somebody has been convicted of sexually molesting someone, that will be the manner in which you exercise the choice.

I just give you a little update, a little discourse on several of our amendments that we are voting on relative to the District of Columbia and education and who should and shouldn't be barred from teaching.

But I have to tell you, it must be pretty disheartening to be in your line of work, to be doing what you are doing, and to recognize that there is a shell game that goes on, that we talk about increasing funding and levels of activity and in essence we are not, we are reducing them.

We talk about increasing your effectiveness, but in essence we are not. This business—and I don't want you, Mr. Nummy, because you are a skilled person in your area and I have great, great respect for you—but I don't think that we are really serious in this battle against drugs and against the violence epitomized by the kinds of weapons that are here on this table.

And I have seen this before. It goes back to when Ed Meese was the new Attorney General and I rushed on over to a hearing where he was testifying. I was so delighted to see that he was going to be heading up the antidrug effort, and then he went along with OMB for a cut of 360 drug enforcement agents, and I found myself embroiled in a big controversy with him publicly because I said I didn't think he knew what planet we were on if he said we were winning the drug war. And you know how many years ago that was, but that is what he had the effrontery to say at a hearing.

I don't blame anyone of you here. It just seems to me that this situation is going to continue to deteriorate for those who are on the front line doing the work that you are doing. And I pay you tribute, and to the men and women in your organization who try to, as I say, borrow from Peter to pay Paul. One of these days we are going to find out that Peter is dead, that we have killed him.

There is one area where I would certainly welcome your support, and that of your staff, and it concerns the Armed Career Criminal Statute, specifically where you come in and find a large quantity of cash. I understand the law precludes you from actually seizing that cash and that you have to call upon DEA or someone else to complete that, is that not correct?

Mr. HIGGINS. That's correct.

SEIZURE AUTHORITY

Senator D'AMATO. And would you be supportive of a change to deal with that situation so that your people can seize that money and you don't have to look to DEA to complete that aspect of the case?

Mr. HIGGINS. Well, I think we would, but I also think that Treasury has an interest in looking at it from the standpoint of all its law enforcement agencies to determine if something can be done. Framing any changes would warrant Treasury's input.

Mr. NUMMY. That is one we are addressing. We haven't done a final proposal on that, but we are looking at it.

Senator D'AMATO. I better stop now while there is some good grace left.

Well, you know, Mr. Chairman, that is exactly the kind of nonsense and bureaucratic BS that I have heard, Treasury has got to look at it.

Here is an agent, for God's sake, that comes in, he makes an arrest, he can't even seize the money under the Armed Career Criminal Statute. To hear, Well, we have got to look at it, is a baloney answer. That is nonsense. It is absolute nonsense.

BATF should have the right to seize the money, and you should help them draft and make the correct changes, instead of everybody being involved in his own turf. Why not? Does it make sense that BATF should be able to seize the money? DEA doesn't want to hold this up. Why wouldn't you want BATF to seize the money?

Mr. NUMMY. I don't think Treasury would want to deny them the right. Treasury would want to make sure that if ATF got it, and we supported that, the rest of our law enforcement bureaus had the same rights.

So Treasury tries to be cooperative, we are trying to get along——

Senator D'AMATO. Well, I would like to see how long it takes for a recommendation for there to be a signoff and Treasury getting on the ball and saying let's give them the right to do something because it makes sense.

How long do you think it would take?

Mr. NUMMY. I can tell you that within the department I would say we could come up with an opinion within the next month or two.

Senator D'AMATO. Month or two?

Senator DOMENICI. That sounds reasonable to me.

Senator D'AMATO. Does it? OK. [Laughter.]

A month or two for a thing that—how long has this been kicking around? You haven't heard about this for the first time today, did you?

Mr. NUMMY. I can tell you, the department initiated this probably about 3 or 4 months ago.

Senator D'AMATO. Three or four months ago. Well, you know——

Senator DOMENICI. Why don't we change the statute?

Senator D'AMATO. Well, we should. That is what I asked him about, get a recommendation on changing the statute. We have to get them to sign off on it. It will take a couple of——

Senator DECONCINI. If the Senator from New York will yield, just for the record, it was on this committee's recommendation or initiative that they even started to look at it. And I think you are very senatorial in raising hell about it. I can't see why we can't get it done.

It is just like these cuts in your budget, and I don't blame you, Mr. Higgins, but it is just a terrible situation that the appropriators are put into when the drug strategy is adopted by the President, adopted by the Secretary, and adds people to Customs and ATF, and then the budget cuts them.

I mean, there just is no answer to that except, as the Senator from New York said, a lot of BS, and it is just terrible. And I don't know what to do about it. Maybe we should just stop playing the game and say, if you don't want to fight the war on drugs, let's tell it like it is, because I don't think we are doing it when we get those kinds of misleading justifications and are expected to come here and figure out a solution. Maybe the problem is we have added those positions in the budgets of these agencies above what the budget calls for. We did it last year, even after the Gramm-Rudman-Hollings sequester.

And I tell you, my patience gets thin when we are confronted with it here.

TASK FORCE ACTIVITIES

Senator D'AMATO. Well, Mr. Chairman, if I might just have your indulgence for 30 seconds.

Mr. Higgins, we have been speaking to some of your people. You did raise the fact of some of the task force activities being ready in a number of other cities by March 25, and I am particularly concerned as it relates to some housing projects in New York, in the Bronx and in the Harlem area. I would ask that we place in the record this February 23 New York Times article, where it talks about a 13-year-old boy getting shot while going out to buy cereal. And that has become almost a regular course of life and death in the housing projects of New York where youngsters just cannot go out at all without that taking place.

But will you be undertaking an effort in that area?

[The statement follows:]

[From the New York Times, February 23, 1990]

A BRONX 13-YEAR-OLD IS SHOT WHILE GOING TO BUY CEREAL

(By Donatella Lorch)

A 13-year-old boy who had crossed a street near his home to buy cereal and milk was shot and seriously wounded Wednesday night when he walked into the crossfire between suspected drug dealers in the Bronx, the police said.

The boy, Darryl McPherson, of 1458 Webster Avenue in the Morrisania section, was shot five times in the chest and abdomen as he walked by a grocery store opposite the 21-story apartment building where he lives, Sgt. E. Caloigaris of the 44th Precinct said. He was in critical condition yesterday at Jacobi Hospital.

Sergeant Caloigaris said the shootout, which began about 10:30 p.m., was the latest of several gunfights in the last two weeks near 1458 Webster, which is part of the Butler Houses, a New York City Housing Authority project.

The apartment building is on the east side of Webster Avenue. Opposite it is a deserted brick-strewn strip of land that separates two grocery stores and that the police and residents say is a favorite turf for drug dealers and buyers. The pop of gunfire can be heard in the area every night, they said.

TWO OTHERS WOUNDED

Detectives said that on Wednesday night two men opened fire on a group of about 10 men who were standing in front of the Josimel Grocery at 1447 Webster Avenue. Someone in the group shot back, detectives said.

Darryll was shot as he walked by, and two men were also wounded. Michael Williams, 19, of 1408 Webster Avenue, was shot in the leg, and Reginald Young, 22, of 700 East 156th Street in the Melrose section, was wounded in the chest, Sergeant Caloigaris said. Both were in stable condition yesterday at Jacobi Hospital.

The police said that the shootout was drug related but that they did not know whether the two wounded men were involved.

The group scattered after the shooting. No weapons were recovered and no arrests made, the police said.

HOPES TO BE A POLICE OFFICER

As she sat by her son's hospital bed yesterday, Emma McPherson described Darryll as a street-savvy boy who was aware of the danger of drug dealers on the street and quick to avoid fights. She said he planned to become a police officer. When he went out to play video games or basketball, his two hobbies, he always called her so that she did not worry, she said.

"Before I leave here every morning, I say a prayer because you don't know if you're coming back," Miss McPherson, 38, said. "We've lived here for 10 years. Darryll wasn't afraid. He knew how to be careful."

Until he was shot, Wednesday night had been a regular school night for Darryll, his mother said. An eighth grader at Intermediate School 147, at 1600 Webster Avenue, he came home and did his homework, put new book covers on his schoolbooks and watched television with his 16-year-old sister, Tammeria.

"He wanted cereal for breakfast and we had none," his mother said. "I told him to go to the grocery store with his sister because it was too dangerous to go alone." But once the two got downstairs, Tammeria told her brother that she would go alone. She went to another grocery store but Darryll did not go back upstairs, Tammeria said. He crossed the street instead.

HID FROM EARLIER GUNFIGHT

A friend of Darryll's, Monique Watson, 13, said Darryll often joked with her about the number of guns they saw in the neighborhood. Last year, the two youngsters hid in a doorway during a shootout on the street, Monique said.

Tammeria McPherson said the area is so dangerous that their mother insisted her children play elsewhere. "We live here but we don't hang out on the block," she said. "You never know what is going to happen."

Monique said that she and Darryll went to movies or to play video games in Manhattan.

Miss McPherson lives in an immaculate but stark apartment with her mother, Darryll, Tammeria and another son, Kirk, 21. She said she was feeling very optimistic earlier this week. She began a new job as a secretary on Tuesday and is no longer receiving welfare. She said that Darryll's grades had improved this year and that he loved to boast about them.

But fear for her children follows her everywhere. "I heard the shots but I always hear shots," she said. "I still feel like I'm in a nightmare."

HARLEM AREA TARGETED BY TASK FORCE

Mr. HIGGINS. New York is one of the cities. I can't respond specifically to that housing area, but certainly we will go into as many as we can, and that's the kind of work we are looking at.

Senator D'AMATO. Well, some of the worst ones that we have identified with the U.S. attorney and some of the other people happen to be in the Bronx and in Harlem, so I would like to——

Mr. HIGGINS. Mr. Hartnett says our group has picked the Harlem area as one of the areas to target.

Senator D'AMATO. OK.

Senator DECONCINI. Well, Mr. Higgins, we are going to submit the balance of the questions for the record because there is a vote on and then we need to take up the Federal Law Enforcement Training Center. But I can assure you that we want to see you get those people and we are going to do everything we can to get you the money. We just would like to see the Secretary, Mr. Nummy, come up with a better solution than just taking these reductions across the board.

And I will address the Secretary when he comes, but you can tell him we are going to talk about that when he comes up next week or whenever it is, OK?

Mr. NUMMY. Sure.

Senator DOMENICI. Could we do this, Mr. Chairman, Senator D'Amato, on the issue you have just raised, about the seizure of the money, why don't we just go up and ask the drafting service to draft it?

Senator **DeConcini**. We are asking them to draft it, but maybe we better draft it outselves.

Senator **Domenici**. Yes; we can draft it, introduce it and have a hearing on it and ask them to comment on it.

SUBMITTED QUESTIONS

Senator **DeConcini**. Thank you all. We will be back in about 10 minutes.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

PROJECT ACHILLES

Senator DeConcini: Will you be able to devote 11 full-time equivalent (FTE) positions and $6.2 million to Project Achilles, which has been so successful in reducing the level of violence associated with firearms?

Mr. Higgins: The Bureau will utilize these resources for firearms enforcement.

Senator DeConcini: Will you be able to devote an additional 7 positions and $300,000 to the Armed Career Criminal Program?

Mr. Higgins: We will devote additional FTE positions and resources to this program.

Senator DeConcini: Are you able to fund these positions because you are taking a corresponding number out of firearms compliance activities?

Mr. Higgins: We will not be funding the Law Enforcement positions with Compliance Operations positions.

Senator DeConcini: If so, does this mean that you will not be able to carry-out the level of qualification and inspection activities which could keep criminals from having access to firearms?

Mr. Higgins: Since we are not funding Law Enforcement positions with positions taken from Compliance Operations, any effect on the level of qualification and inspection activities is due to other reasons.

AUO

Senator DeConcini: What would be the affect on your agents if you just decided not to fully implement the AUO increase to 25 percent of base pay in Fiscal Year 1991? What would happen if you increased it to 15 percent instead?

Mr. Higgins: Under P.L. 101-173, a total of 9 hours of overtime per week qualifies an agent for 25 percent of salary for AUO pay. Currently, our agents work an average of 12 hours, which means 3 hours are uncompensated. To earn 15 percent, 5 hours are required under the law. Therefore, 7 hours per week would be uncompensated.

Senator DeConcini: Let me go a step further, I am of the opinion that the agencies should not have to absorb the full cost of AUO in Fiscal Year 1991. If the additional funding was provided to cover the increased costs of administratively uncontrollable overtime (AUO) for ATF, which reductions, which are presently proposed in the FY 1991 Budget would be reversed?

Mr. Higgins: With the restoration of full year funding for the AUO increase ($5,990,000), an additional 122 FTE positions would be restored to Law Enforcement Firearms Program. We understand the Drug Czar's Office has agreed to provide partial funding to ATF for AUO costs ($2,995,000 and 61 FTE positions).

ARMED CAREER CRIMINAL PROGRAM

Senator DeConcini: For Fiscal Year 1990, the Committee provided an additional 149 positions and $13.183 million for the Armed Career Criminal Program in the regular appropriations bill. We also provided an additional $10 million in the Transportation Drug Amendment for the hiring, equipping and training of additional agents and inspectors. How many additional agents and inspectors were you able to hire from the enhanced funding and how was the remainder of the funds spent?

Mr. Higgins: Compliance Operations will hire 45 inspectors by the end of the year. The remainder of the funds will be used to hire support personnel and for equipment, supplies, rental of space, and other items necessary to provide professional support for inspectors.

The $10 million in the Transportation Drug Amendment funded 41 FTEs. The remainder of those funds are being utilized to establish and equip eight new Project Achilles Task Forces.

Senator DeConcini: Has funding been included in your Fiscal Year 1991 budget to continue the Achilles Task Forces in cities which were funded in Fiscal Year 1990? If so, what level of funding is included in your budget in FY 1991?

Mr. Higgins: Salary and operating expenses to continue the Achilles Task Forces are included in our Fiscal Year 1991 submission. Virtually no increases or expansion have been requested.

Senator DeConcini: Your FY 1991 budget includes a reduction of 122 FTE positions and $7.565 million in your Law Enforcement Firearms Program to cover the increased costs of AUO and to maintain current levels. Will any of the positions proposed for reduction be taken from the Armed Criminal Career Program? If so, how many are proposed to be cut?

Mr. Higgins: A total of 61 FTEs would be reduced from the Fiscal Year 1991 annualization of 185 FTEs originally provided by the anti-crime initiative.

Senator DeConcini: How many FTEs are you presently

devoting to the Armed Career Criminal Program? How many do you plan to devote to the program in FY 1991?

Mr. Higgins: We are presently devoting 777 FTEs to the Armed Career Criminal Program. We plan to devote 901 FTEs to the Program in FY 1991; an increase of 124 FTEs.

Senator DeConcini: What increases could you make in the personnel assigned to the Armed Career Criminal Program in FY 1991 if the reductions proposed by the Administration were rejected? How much in additional funding would this require?

Mr. Higgins: If the proposed reductions were rejected, the 61 FTEs representing $3.8 million would be added to the Armed Career Criminal Program.

MEXICO

Senator DeConcini: Is ATF receiving any information at this time on weapon seizures from Mexican Officials that is benefitting your investigations?

Mr. Higgins: The information being received from Mexico is sporadic at best, and the information often does not contain the details necessary for ATF to effectively determine the sources of the firearms. The ability to trace firearms is one of ATF's most effective tools to identify and halt the unlawful flow of firearms out of the United States. Complete and accurate descriptive information of the firearms are a must for a trace. For example, in February 1990, ATF received a list of 40 firearms seized by Mexican authorities. Only 13 of the firearms were adequately described to allow tracing. This inaccuracy obviously diminishes ATF's ability to use this information to identify the sources for these firearms.

ATF agents are specially trained in the enforcement of the firearms laws as they relate to the International Traffic in Arms (ITAR) Program. Their success rate is directly related to having timely, complete, and accurate information on firearms seized in Mexico. Without this information, ATF is limited in its ability to make real progress in stemming the illegal flow of firearms to Mexico.

Senator DeConcini: If you are not receiving cooperation from Mexico, have you attempted to contact Mexican Officials to get them to sit down and negotiate some type of cooperative agreement:

Mr. Higgins: ATF has attempted to gain the cooperation of Mexican Officials by way of meetings that were held between the Treasury Assistant Secretary for Enforcement and the Attorney General of Mexico. This support, however, has not materialized. In addition, ATF has conducted training seminars, provided reference materials, and conducted liaison along the border with limited success.

ATF is currently exploring the possibility of establishing an attache position in Mexico City, Mexico, which will allow ATF to deal directly with Mexican Officials in order to gain direct, accurate, and timely information of firearms seizures. This information will be forwarded to the ATF National Tracing Center with the resulting trace information being sent to our field offices. The appropriate investigations would be conducted to identify and prosecute illegal firearms traffickers, thus reducing the illegal flow of firearms to Mexico.

Senator DeConcini: I have a recent article from a Tucson Newspaper on a seizure in Mexico of more than 100 AK-47s. It was reported that five members of the Mexican Judicial Police were arrested in the seizure that also netted 15 detonators for explosives. Are these types of seizures involving assault weapons a growing occurrence along the Southwest Border because the Colombians are looking for new routes to smuggle assault weapons out of the U.S. back to Colombia?

Mr. Higgins: We really don't know what routes are being used to smuggle firearms into Colombia. Based on our analysis of information gathered during the 30-day detail of two ATF special agents to Colombia in June 1989, we believe that a great many firearms are being exported illegally from the United States to Colombia and that these firearms are ending up in the narcotics trafficking trade and in terrorist activities.

Exactly how and from where these firearms are getting to Colombia is something we believe will be determined by our proposed permanent presence in Colombia. To effectively impact upon the illicit flow of firearms, we must have accurate and current information regarding the description of firearms discovered in Colombia. To obtain this information, ATF must maintain close liaison with Colombian law enforcement authorities and with other U.S. agencies operating in Colombia.

We have proposed that an ATF special agent be posted in Bogota, Colombia, and this request is pending U.S. State Department approval.

REDUCTIONS TO FIREARMS COMPLIANCE ACTIVITIES

Senator DeConcini: As in the firearms enforcement activities, your FY 1991 budget also assumes reductions of 18 positions and $1,000,000 in your Compliance firearms activities. What specific impact will this reduction have on your ability to carry-out qualifications and inspections of firearms dealers to ensure that unlawful individuals are not allowed entry into this business and that they are complying with the law so that criminals do not receive firearms?

Mr. Higgins: A reduction of 18 positions will result in 1,200 fewer qualification and compliance inspections of firearms dealers. The firearms qualification program prevents persons prohibited under the Gun Control Act of 1968 from entering into the firearms business. Qualification inspections educate firearms dealers and ensure the integrity of dealer transaction records. This facilitates traces of firearms used in crimes and prevents transfers of firearms to prohibited persons.

Our compliance inspections are targeted toward licensees most likely to be, or to become, conduits for firearms distribution into illegal channels. In support of Law Enforcement's Firearms Program, information is referred to Law Enforcement regarding illegal sales of firearms to prohibited persons, especially sales to career criminals and to persons engaged in illegal drug activities.

Senator DeConcini: Your justification states that in Fiscal Year 1990 you intend to process 100,000 applications and conduct 12,300 inspections. In Fiscal Year 1991 you state that the number of inspections is expected to increase to 13,400. How can you increase your Compliance firearms inspections when you are being asked to cut this activity by 18 positions and $1 million?

Mr. Higgins: In the FY 1991 budget submission for Compliance Operations, there are a number of increases and decreases involving all four program areas. The increases and decreases are due to: program enhancements and reductions; reductions from A-76 productivity savings; and reductions due to pay absorptions. For the CO Firearms Program, there is a net increase of 30 FTE positions, which will enable us to conduct the additional inspections you have noted.

OPERATION ALLIANCE

Senator DeConcini: How many personnel and other resources are you presently allocating to Operation Alliance?

Mr. Higgins: We are presently allocating 33 FTEs to Operation Alliance, with supporting resources.

Senator DeConcini: If you had additional staff resources, how many additional personnel would you allocate to Operation Alliance to properly carry-out the job you think needs to be done on the Southwest Border to keep guns from illegally entering Mexico?

Mr. Higgins: We calculate that an additional 30 FTEs could be trained and in place by the end of FY 1991.

Senator DeConcini: With the designation of the Southwest Border as a high-intensity area, have you been asked by the Drug Czar's office to devote additional resources to this area and if so, what additional resources do you plan to devote in both Fiscal Years 1990 and 1991?

Mr. Higgins: We have increased staffing by 5 FTEs in the Southwest Border area from FY 1989 levels. A proportionate increase was made in funding.

Senator DeConcini: What was your original request to the Department of Treasury for Operation Alliance support in Fiscal Year 1991?

Mr. Higgins: We originally requested 30 FTE positions and $2.5 million from the Department.

ALCOHOL COMPLIANCE AND LAW ENFORCEMENT ACTIVITIES

Senator DeConcini: In Fiscal Year 1991 your budget is proposing a reduction of 51 FTEs and $3.9 million in the Alcohol Compliance Program. What impact will the 700 fewer inspections have on your ability to ensure product integrity?

Mr. Higgins: Mr. Chairman, our Product Integrity Programs ensure that alcohol beverages contain no harmful ingredients, that important health warnings mandated by Congress are displayed, that product recalls are monitored, and that consumers are accurately informed of product contents. It is not possible to maintain the same level of product integrity by conducting fewer inspections. We will, however, attempt to minimize any adverse consequences which might be caused by a reduction of 700 inspections in this area.

Senator DeConcini: Will this reduction have a revenue effect? In other words, will fewer inspections result in less revenue coming into the Treasury from alcohol special occupational taxes (SOT)?

Mr. Higgins: When performing product integrity work, inspectors often find tax underpayments. For example, an importer attempted to bring into the United States distilled spirits products fraudulently labeled as wine. Since the tax rate for wine is much less than the rate for distilled spirits, an underpayment of $45,000 in excise taxes was involved. In this instance, the importer was convicted of criminal charges and had its permit revoked.

There are many other examples where product integrity investigations disclose taxpayment problems. With fewer resources in this area, we will attempt to focus on what appears to be the more significant problems; but there may be a negative effect on revenue collections.

Senator DeConcini: What impact will this reduction have on your ability to enforce the Alcoholic Beverage Labeling Act which requires warning labels on all alcoholic beverages? Won't this undermine your ability to properly oversee compliance with the Act?

Mr. Higgins: One very important aspect of enforcing the labeling provisions of the Alcoholic Beverage Labeling Act is our field verification program. There are several aspects to field verification, but they all depend on our ability to conduct inspections to verify either that alcohol averages display the required health warning statement or that the product in question was bottled prior to the effective date of the statute. Any reduction in the number of inspections will reduce enforcement of this Act.

EXPLOSIVES PROGRAM

Senator DeConcini: Also slated for reduction in your FY 1991 budget is the explosives program. Your budget proposes to reduce funding by 29 FTEs and $1.945 million for the explosives Law Enforcement Program, and 1 FTE and $59,000 for the Compliance Program. Your justification states that this reduction will mean that 64 cases will not be initiated and that 29 suspects will not be recommended for prosecution. Mr. Director, at a time when the Nation is faced with repeated bombings of public figures, I am concerned not only about the impact this reduction will have, but also what message it sends to the American public in terms of the seriousness of these bombings. Would you care to comment on this situation?

Mr. Higgins: Since the statistics for 1989 indicate a 27 percent increase over the number of bombings reported in 1988, the public could question law enforcement's ability to counteract this growing problem. This belief would be contrary to ATF's past and continuing efforts to provide the most timely, effective, and professional response available to curtail the threat posed by explosives. Since the inception of the Explosives Control Act in 1970, explosives investigations have been ATF's number one priority, as evidenced by the approximately 23,000 explosives incidents investigated by ATF in a 10-year period. These incidents resulted in 679 deaths, 3,907 injuries, and $541.6 million in property damage. Compounding the problem is the drug trafficker's proclivity for explosives, which have become the second most preferred weapon in the drug trade. However the reduced staffing level in the Explosives Program was predicated upon the need to absorb increased costs associated with new administratively uncontrollable overtime (AUO) legislation and the Federal pay raise, not by a change in the amount of explosives-related criminal activity.

FISCAL YEAR 1990 PAY ABSORPTION AND SEQUESTRATION

Senator DeConcini: How was the pay absorption and sequestration applied to ATF programs in Fiscal Year 1990?

Mr. Higgins: These reductions were applied across all Bureau programs in Fiscal Year 1990.

Senator DeConcini: Which program activities, if any, were scaled back as a result of the added pay costs and sequestration? Have these activities been fully restored to the 1990 base level in your 1991 budget?

Mr. Higgins: The sequester reduction of 51 FTE positions and $3.5 million were applied across all Bureau programs. In FY 1991 we have requested full restoration of these base staffing reductions. With respect to pay raise for FY 1990 the Bureau absorbed 75 percent or $4 million out of the base. For FY 1991, the Bureau has included 25 percent ($1.4 million) of the FY 1990 base amount for the January 1990 pay raise in this budget request.

A-76 SAVINGS

Senator DeConcini: How was the 21 FTE reduction and $207,000 in savings, due to A-76, calculated for Fiscal Year 1991?

Mr. Higgins: These reductions were assigned to the Bureau by the Treasury Department.

Senator DeConcini: Has OMB instructed ATF to undertake specific projects to realize these savings? If so, can you explain to the Committee the nature of these projects and whether or not the savings can actually be realized?

Mr. Higgins: No specific projects were assigned by OMB. As mentioned previously, these reductions were assigned to the Bureau by the Treasury Department. The only way to realize these savings is to further reduce our program efforts.

GANGS

Senator DeConcini: Staff tells me that they travelled to New York City with ATF Officials and participated in a major sting operation on Jamaican gang members in Manhattan. I understand the crimes these individuals were involved in were pretty grisly -- these people obviously have no respect for the value of human lives.

What is the current situation involving Jamaican gangs in drug trafficking? We don't hear much in the news about their violence any more. Is it getting better or worse?

Mr. Higgins: Although the media's attention given to the Jamaican gangs has diminished, the Jamaican gangs have increased their involvement in drug trafficking to the extent that they not only operate drug networks in major metropolitan areas, but have expanded into many small and mid-size cities throughout the United States. The Jamaican gangs are still considered one of the most violent drug organizations in the United States today. ATF estimates that the Jamaican gangs have been involved in over 2,905 homicides nationwide from 1985 to 1989.

Jamaican gangs have not only expanded their areas of narcotics activity, but also their association with other criminal groups. Sources indicate that Jamaican gangs have developed working relationships with West Coast street gangs and Colombian narcotics cartel.

Senator DeConcini: Is there anything we can do to help?

Mr. Higgins: Additional funding for training would allow ATF to train State and local law enforcement officers on the methods of operation used by Jamaican gangs. This training would allow State and local officials to become more efficient and effective when dealing with the gangs.

ATF is involved in over 40 Jamaican Task Forces throughout the United States. These Task Forces consist of Federal, State, and local law enforcement agencies. Additional funding that ATF could use to pay the State and local law enforcement officer overtime, when their agencies can not, would help the Task Forces become more effective.

Senator DeConcini: Last year we discussed the fact that the Crips and the Bloods were operating in Arizona and New Mexico. Since then we have beefed up Law Enforcement personnel for ATF, the FBI, DEA and other Law Enforcement Agencies. Have these additional personnel been able to arrest the increasing numbers of gang members, or is the problem getting worse?

Mr. Higgins: ATF continues to direct resources toward combatting the criminal activity of violent street gangs such as the Crips and Bloods, who continually attempt to control the drug trafficking trade in cities such as Phoenix and Tucson, Arizona, and Albuquerque, New Mexico. There continues to be an increasing number of arrests of gang members, but at this time we are unable to say that we are reducing the influx of gang members and their influence in these communities.

Senator DeConcini: What can ATF do that you presently do not have the resources or authority to do to wrestle with this problem and deter the Crips and the Bloods?

Mr. Higgins: The addition of seizure authority to 924(c) would help us impact the activities of the Crips and Bloods. Over the past several years, ATF has, in many instances in their investigations of gangs, uncovered large amount of cash which were drug-related assets. Usually the primary violation is 18 U.S.C. Section 924(c). ATF does not have seizure authority of assets under 18 U.S.C. Section 924(c). If this authority were granted to ATF, we would be able to make a more significant impact on the operation of the gangs. Section 924(c) of 18 U.S.C. could be amended to read as follows, with the addition of this paragraph:

Section 924(d) of 18 U.S.C. is amended by adding the following new paragraph:

> 924(d)(4) Any property subject to forfeiture under Section 881(a) of Title 21 may be seized and forfeited in connection with an investigation of a violation of Section 924(c) of this chapter, and all provisions of Section 881 of Title 21 shall extend to seizures and forfeitures under this paragraph. For purposes of this paragraph, the functions of the Attorney General under Section 881 of Title 21 with respect to the seizure, forfeiture and dispositions of property shall be carried out by the Secretary.

EQUIPMENT

Senator DeConcini: Are each of the ATF 1811 agents properly equipped to protect themselves from the violence associated with armed career criminals?

Mr. Higgins: ATF agents are adequately equipped with defensive weapons and equipment, i.e. handguns and soft (Level IIA) body armor to protect themselves under normal operating conditions. However, the increasingly violent operating environment which our agents are encountering requires a variety of additional equipment, largely in the area of tactical weapons and protective ballistics equipment and clothing.

Senator DeConcini: Are the standard bullet-proof vests adequate or do you need more advanced equipment to sustain attacks by criminals?

Mr. Higgins: Every ATF agent has been issued a Level IIA type ballistic vest which is state-of-the-art and will defend against most handguns. ATF requires an upgrade in body armor which will defend against rifle, shotgun and submachine gun ammunition. Additionally, ATF has established uniquely trained and equipped entry control teams in each of our districts which are to be utilized in above average high risk enforcement situations.

Senator DeConcini: What about guns, radios, cellular telephones and vehicles? Do you have the equipment available which you need to assure the maximum degree of safety for your Law Enforcement personnel? If not, what are your equipment requirements that are not being met through current funding sources?

Mr. Higgins: ATF purchases equipment and vehicles on an annual basis as funding permits. Equipment having the highest operational requirement receives priority consideration. There are equipment categories wherein ATF has a significant requirement for special purpose trucks, surveillance vans, enforcement vehicles, mobile command posts, aircraft forward-looking infrared systems, aircraft surveillance systems, electronic surveillance equipment, firearms and miscellaneous items.

Further, amendments to the Comprehensive Forfeiture Act of 1984, 28 U.S.C. Section 524, would permit ATF to obtain reimbursement from the Department of Justice Assets Forfeiture Fund for expenses of equipping for drug law enforcement functions any Government-owned vehicles. An amendment to 28 U.S.C. Section 524(c)(1)(f) to include ATF as an agency authorized to receive payments for this purpose would enable ATF to purchase this equipment. Additionally, the Bureau has recently received authority to participate in DOJ's asset forfeiture fund, which will allow us to recapture associated operating expenses.

NATIONAL ADVISORY COMMISSION ON LAW ENFORCEMENT

Senator DeConcini: Mr. Director, I serve with you and others on the National Advisory Commission on Law Enforcement. As you know, the Commission is in the process of compiling its report, which will include many recommendations on increasing the salaries and benefits of our Law Enforcement personnel. Increasing the pay for AUO to 25 percent of base salary was one of the initial proposals which the Commission endorsed. Looking at the way it was treated by the Office of Management and Budget, I wonder how you feel the other recommendations will play out if and when special salary rates and increasing the entry level pay grades are enacted. You and I both heard the repeated comments of all of the Law Enforcement Bureaus stating that upgrades in pay and benefits are necessary to recruit and retain qualified law enforcement personnel at the Federal level.

I'm getting ready to introduce legislation to enact the recommendations of the Law Enforcement Commission. In light of the treatment of AUO by OMB, however, I am skeptical about the Administration's understanding of the recruitment problems and wonder how you, as Director of a Law Enforcement Agency, feel about the need for pay and benefit changes and the chances for the legislation's success. What is your view on this subject, and what do you think about OMB's action on AUO?

Mr. Higgins: ATF is appreciative of the efforts the Administration and Congress have made through the National Advisory Commission on Law Enforcement to ensure the recruitment and retention of qualified law enforcement personnel. I also understand the difficult task of OMB to control deficit spending while attempting to meet legitimate needs.

COMPLIANCE OPERATIONS

Senator DeConcini: ATF's Compliance Operations function is responsible for inspecting and regulating the alcohol, tobacco, firearms, and explosives industries. ATF's Fiscal Year 1991 budget request for Compliance Operations shows a reduction of $651,000 and 22 average positions. That dollar decrease is the net of a large decrease ($2.6 million) in the Alcohol Program, a large increase ($1.85 million) in the Firearms Program and much smaller increases in the Tobacco and Explosives Programs.

Please explain ATF's process for deciding how to allocate its resources between Compliance Operations and Law Enforcement.

Mr. Higgins: The allocation of resources between Compliance Operations and Law Enforcement depends upon decisions made during the related budget formulation process. These decisions - by ATF, the Department, OMB, and Congress - provide direct and clear guidance on how to allocate resources between these two ATF activities.

Senator DeConcini: To what extent is the distinction between Compliance Operations and Law Enforcement blurred by the use of Compliance resources to support Law Enforcement activities?

Mr. Higgins: Compliance inspectors and Law Enforcement special agents have a clear understanding of their respective roles. They often perform work independently of one another; but, when circumstances require it, they work together. When special agents and inspectors do work with one another, we have found that they have a very clear understanding of their respective roles and they clearly convey this to others (for example, U.S. Attorney offices). Most importantly, they successfully conclude many joint investigations; for example, the previously mentioned importer convicted of label fraud violations.

Senator DeConcini: Please explain ATF's process for deciding how to allocate its compliance resources among the Alcohol, Tobacco, Firearms, and Explosives Programs.

Mr. Higgins: Compliance Operations allocates resources among the four program areas, as follows:

> Budget Formulation: provides guidance on how CO resources are allocated among the four program areas. Decisions made by ATF, the Department, OMB, and Congress determine how CO resources will be allocated.
>
> Legislation Enacted After Budget Formulation: may require some shifting of resources between program areas. For example, an increase in a tax rate may require a temporary allocation into the Alcohol Revenue activity to ensure compliance with the new rates and any floor stocks taxes.
>
> Urgent Issues Requiring Immediate Action: may also require some shifting of resources between program areas. For example, a few years ago, the significant number of imported wine products contaminated with the hazardous chemical diethylene glycol (DEG) required a temporary shift of resources into the Alcohol Product Integrity activity.

Senator DeConcini: Given the increasing emphasis on the Firearms Program, as demonstrated by the increase called for in the Fiscal Year 1991 budget, what controls does ATF have to ensure that it has allocated sufficient money and staff to meet its basic Compliance responsibilities in the other three programs?

Mr. Higgins: Compliance Operations (CO) throughout each Fiscal Year looks at staffing patterns to see that the correct proportion of resources is being achieved. Many CO employees work in only one program area; for example, an alcohol beverage label examiner. It is relatively easy to ensure proper program emphasis with these employees since a simple count will determine program balance.

Many CO employees work in more than one program area; and, therefore, determining proper program emphasis for them is somewhat more difficult. If the calculation of resource allocation shows a potential program imbalance, adjustments will be made. For example, in early FY 1989, we determined that insufficient field resources were being put into the Firearms Program. Field offices were directed to allocate more of their resources into the Firearms Program.

Senator DeConcini: As part of its Compliance efforts in the Alcohol area, ATF inspects production facilities. Through those inspections, ATF enforces the Federal Alcohol Administration Act and attempts to protect the public from contamination and fraudulent labeling. ATF plans to make 9,100 such inspections in Fiscal Year 1991 compared to 13,101 in 1989.

How will the planned reduction in alcohol inspections since 1989 affect ATF's ability to protect the public from contaminated and fraudulent products?

Mr. Higgins: The reduction from 13,101 inspections to 9,100 inspections applies to the entire Alcohol Program. The portion of the reduction relating to non-revenue activities, which would include protection of the public from contaminated and fraudulent products, involves a reduction of 700 inspections. As mentioned earlier, it is not possible to maintain the same level of product integrity by conducting fewer inspections. We will, however, attempt to minimize any adverse consequences which might be caused by a reduction of 700 inspections.

ALCOHOL WARNING LABELS

Senator DeConcini: ATF is also responsible for approving all new and changed alcoholic beverage labels. As a result of recent legislation, all alcoholic beverages are now required to have labels warning that alcohol consumption impairs a person's ability to drive a car, may cause health problems, and could cause birth defects. According to its budget request, ATF is planning to approve 55,000 labels in Fiscal Year 1991, compared to 58,000 in Fiscal Year 1990 and about 60,000 in 1989.

How has the new warning-label requirement affected ATF's workload? Does the planned reduction from 1990 indicate that any increased workload as a result of the labeling requirement has come and gone?

Mr. Higgins: Due to the wording in the final version of the Alcoholic Beverage Labeling Act of 1988, many alcoholic beverage producers and importers may resubmit their labels which will cause a considerable increase in the workload in this area.

The estimate of approving 55,000 labels in FY 1991 was based upon two assumptions: requests for label approvals would remain at historical levels; and reduced budget amounts would allow for the processing of only 55,000 requests. The estimate of 55,000 approvals being processed is still accurate; but the number of unprocessed requests may exceed the 5,000 originally estimated due to an increased workload. These delays will carry over into the following year and create backlogs in FY 1992.

Senator DeConcini: Please provide your assessment of the industry's efforts to implement the warning-label requirement. Are all of the warning labels in place, and has there been a good faith effort to make the warning visible to the consumer?

Mr. Higgins: Through field inspections, we have determined that, for domestic manufacturers, the rate of compliance is virtually 100 percent. The industry is evidencing a good-faith effort both to put the warning label in place and to make the warning visible to the consumer. We are in the process of verifying other segments of the industry.

FIREARMS INSPECTIONS

Senator DeConcini: Another of ATF's major Compliance responsibilities is to inspect and license firearms manufacturers and dealers. In Fiscal Year 1989, ATF made 9,615 firearms inspections. In Fiscal Year 1991, ATF plans to conduct 13,400 inspections.

What are the reasons behind the planned increase in firearms inspections?

Mr. Higgins: The increased number of firearms inspections is a direct result of the increased resources being funded for Compliance Operations Firearms Program in FY 1991. There were 282 FTEs allocated in FY 1989; and, in FY 1991, there will be 393 FTEs allocated.

Senator DeConcini: Is it fair to assume that at least some of the increase is related to the war on drugs?

Mr. Higgins: These additional resources have been obtained due to Congress and the President's interest in fighting armed career criminals and persons engaged in illegal drug activities. The additional firearms resources, therefore, will be used to support those efforts.

Senator DeConcini: Could ATF please explain the role of Compliance Operations in that war. How has Compliance Operations' role grown since 1988 and how has that growth affected ATF's ability to meets its other compliance-related responsibilities, such as ensuring that all excise taxes are collected?

Mr. Higgins: The additional resources will be used by Compliance Operations to support Law Enforcement's efforts in implementing Congress and the President's anti-crime and anti-drug initiatives. These initiatives focus primarily on habitual criminals and persons engaged in illegal drug transactions.

For example, one very successful approach taken in FY 1989 as an anti-drug and anti-crime initiative was the Washington, DC Task Force or ACES. Compliance Operations inspectors provided support to LE special agents during this effort by analyzing firearm dealers' records in the Washington-area to provide leads on potential violators.

The additional resources will also be used to ensure that prohibited persons do not obtain firearms licenses, that firearms dealers keep accurate records to quickly trace firearms used in crimes; and that firearms dealers are aware of their responsibilities not to sell firearms to prohibited persons.

In FY 1988, Compliance Operations had 252 FTEs in its Firearms Program. This is being increased to 393 FTEs in FY 1991. During FY 1988, inspectors made 2,100 referrals to Law Enforcement concerning activities by prohibited persons. They also corrected 5,100 serious violations involving firearms dealers' records and operations. In FY 1989, inspectors made over 4,200 referrals to Law Enforcement concerning illegal activities. They corrected 4,700 significant violations at firearms dealers' premises.

The resources used for the Firearms Program will not come from the Alcohol Program; and, therefore, our efforts in the Firearms Program will not affect our other compliance efforts, including excise tax collections.

EXCISE TAX COLLECTIONS

Senator DeConcini: ATF is responsible for overseeing the collection of about $5.7 billion in alcohol excise taxes and $4.3 billion in tobacco excise taxes. According to ATF's budget request, revenues in Fiscal Year 1991 are expected to remain exactly the same as in Fiscal Year 1990 and virtually the same as in Fiscal Year 1989.

Please explain how the amount of alcohol and tobacco revenues can stay so constant from year to year?

Mr. Higgins: The alcohol beverage and tobacco industries are mature industries which are experiencing little or no growth. For example, the tobacco industry's domestic sales are gradually declining as consumers choose to smoke less. Sales of alcohol beverages remain relatively unchanged. However, while we are projecting the same revenues in FY 1990 and FY 1991 as there were in FY 1989, it is possible that revenues will actually decline.

Senator DeConcini: Section 5010 of the Internal Revenue Code, which was enacted in 1980, allows manufacturers of distilled spirits who use wine or flavorings in their products to obtain a tax credit. The credit was apparently intended to restore the tax treatment of wine and flavorings to its status before being revised by the Distilled Spirits Tax Revision Act of 1979. At the time the credit was being considered, the revenue impact was estimated to be about $32 million in the first year and about $19 million in later years. It is our understanding that the credit has provided an unintended tax incentive for the use of wines and flavorings in distilled spirits and that the annual revenue impact is now closer to $100 million.

Does ATF have current data on the revenue impact of Section 5010 of the Internal Revenue Code?

Mr. Higgins: Figures available to us on the use of wines and flavors in domestic distilled spirits products indicate that Section 5010 cost the Treasury approximately $58 million of revenue in FY 1989 from taxes paid on spirits produced in the United States. This represents a continuation of the trend, which has been evident since Section 5010 was enacted, of substantial annual increases in the wine and flavor credits taken, even as the consumption of distilled spirits has declined. We have no direct data on the credits being taken for imported products; however, if we assume that credits taken on imported products would add to the revenue loss an amount proportional to their market share, the total credits taken in Fiscal Year 1989 would be approximately $87 million.

Senator DeConcini: Does ATF have any reason to believe that the original intent of Section 5010 is no longer valid or is being abused?

Mr. Higgins: We have reason to believe that this section provides a tax loophole.

Section 5010 was enacted to restore the tax status of wines and flavors to that which had existed prior to the Distilled Spirits Tax Revision Act of 1979 (all-in-bond). The original estimates of $19 million annual revenue losses were based on the assumption that the use of wines and flavors would continue at approximately the same level which had existed prior to all-in-bond. However, as stated earlier, the actual projected revenue loss for Fiscal Year 1989 is approximately $87 million. It is clear that the enactment of Section 5010 has created a substantial new tax loophole for the use of wines and flavors in distilled spirits products.

As a result of this loophole, there has been a major increase in the use of wines and flavors in the production of many distilled spirits products which did not traditionally contain wine or flavor, and in formulations where the wine and flavors serve no purpose other than to reduce excise tax liabilities. Many products are now taxed at a lower effective tax rate than they were before all-in-bond, even though the distilled spirits tax was increased by almost 20 percent in 1985. The effective tax rate of a distilled spirits product which takes the maximum benefit of the Section 5010 credit could be reduced from $12.50 per proof gallon to approximately $6.25 per proof gallon.

SPECIAL OCCUPATIONAL TAX

Senator DeConcini: Businesses engaged in selling alcoholic beverages, tobacco producers, and firearms manufacturers and importers are required to pay a special occupational tax each year. ATF's budget request for Fiscal Year 1991 mentions plans to restructure the special occupational tax system and notes that the restructuring will lead to more efficient collections.

Please explain how the special occupational tax system will be restructured and how the restructuring will enhance collections.

Mr. Higgins: Currently, the special occupational tax (SOT) burden, applicable to the beverage alcohol industry, falls upon approximately 2,100 producers, approximately 11,000 wholesalers, and between 550,000 and 700,000 retailers. The retailer figure is expressed as a range because retailers do not hold permits with ATF, are generally only known to us in connection with SOT payments, and have a high delinquency rate estimated to be between 30 percent and 40 percent.

The restructuring proposal will shift the SOT burden from retailers to wholesalers and producers. This will enhance collections because all businesses subject to SOT will also hold ATF permits. This will give us a complete list of businesses liable for SOT. We will be promptly able to identify delinquents to effect prompt enforcement action. By dramatically reducing the number of liable entities, implementation of this proposal will make management of the program more effective and efficient and will enhance the promptness of enforcement efforts in the case of delinquencies.

Another approach that might be considered would be to pass on the retailer burden to producers and importers and tie in the SOT amount to the amount of excise tax payments. This will further enhance collections and make the application of the tax more equitable by directly tying in the amount of SOT to the amount of business conducted.

One other option under consideration is to prohibit wholesalers and suppliers from selling alcoholic beverages to retailers which fail to produce evidence that they paid SOT. Under this option, if a retailer did not produce its SOT stamp or other evidence of payment within 120 days, the wholesaler or supplier would not be lawfully able to sell to that retailer.

ENFORCED COLLECTIONS

Senator DeConcini: It is our understanding that during Fiscal Year 1991, ATF plans to assume responsibilities from IRS for (1) making enforced collections through liens, levies, and property seizures and (2) collecting firearms excise taxes. There is no discernible mention of those increased responsibilities and their budgetary impact in ATF's budget request for Fiscal Year 1991.

Why is ATF assuming these responsibilities?

Mr. Higgins: In 1987, ATF assumed responsibility for the actual receipt and deposit of alcohol and tobacco excise and special occupational taxes. Previously, IRS handled these receipt and deposit functions. At that time, plans were made to transfer the related enforced collection functions at a future date.

ATF is assuming these additional enforced collection functions because:

> ATF is in the best position to resolve issues that arise regarding its taxpayers and permittees in the course of the enforced collection process.
>
> By having one agency involved in the entire collection process from assessment (now handled by ATF) to enforced collections (to be transferred), we will be simplifying and adding efficiency to the process.
>
> IRS has automated its collection functions. Because ATF enforced collections are referred to IRS in midstream (after we have completed many preliminary assessment and collection phases), the data associated with these actions do not have the formats, identification numbers, and data fields needed to enter the IRS automated system.
>
> IRS has had to handle and monitor these cases manually. This has been a source of inefficiency for IRS and of concern for both agencies. Changing either agency's procedures to allow entry into the automated system would add inefficiency by artificially grafting factors reflecting one agency's structure onto the other agency's operations.

The Budget Reconciliation Act of 1989 transferred responsibility for firearms and ammunition excise taxes from IRS to ATF. This change will increase government efficiency because ATF inspectors already visit these businesses to enforce the provisions of the Gun Control Act of 1968.

Senator DeConcini: How much does ATF expect to collect in firearms excise taxes? Is there any reason to expect that amount to differ from the amount IRS has been collecting?

Mr. Higgins: We recently received an IRS printout listing approximately 675 firearms and ammunition excise taxpayers. Our files contain approximately 1,911 licensed firearms manufacturers and importers who have a potential tax liability. Our files also indicate an additional 8,345 ammunition manufacturers, although many of these licensees may not be liable for tax due to engaging in non-taxable ammunition reloading.

We expect some increase in the amount collected by ATF, but we have no data from which to make firm projections. We believe that one additional source of revenue would be to tax non-filers. However, until we conduct field inspections at the various manufacturers and importers, we will not know with any degree of certainty the extent of non-compliance.

Another source of additional revenue is any licensee who is not paying its full tax liability. We have become aware of specific situations in which this is occurring, by virtue of recent reports from our field offices. These findings are being referred to IRS for action until ATF assumes the program in 1991.

Senator DeConcini: How will the assumption of enforced collection responsibilities increase ATF's workload? How do ATF's workload expectations compare to the level of effort IRS has been applying?

Mr. Higgins: Many of the special occupational tax (SOT) cases that may eventually end up as enforced collections have not yet reached the point at which such action is needed. We, therefore, do not have a solid base upon which to project the number of actual enforced collection cases we will encounter each year. For planning purposes, we have projected an annual workload of approximately 500 levies, 200 liens, and 200 field referrals, only a small percentage of which should actually result in seizures. These figures are tentative; they may be higher or lower.

Assumption of enforced collection responsibilities will probably have a limited effect on ATF's workload, although they could be greater than the figures noted above.

Levies and liens are office functions. We anticipate that an office staff of three employees and one supervisor can handle these and other activities related to field referrals, seizures and sales. Actual field work should be limited to under five staff years per year. Again, these figures are tentative.

As our enforced collection actions will be comparable to those of IRS, we see the level of resource commitment as being comparable as well.

After we have succeeded in enhancing the level of SOT compliance or after a change in the SOT structure that removes the retailer liability, the number of enforced collections should decline.

Initially, resource needs may be somewhat greater than the above estimates when IRS returns cases previously referred to them on which final action has not yet been taken.

Senator DeConcini: What experience has ATF had in working with liens, levies, and the other tools associated with enforced collections?

Mr. Higgins: ATF has had very limited experience in this area. We have referred all past cases to IRS. We do have a number of ATF employees who are former IRS revenue officers or who held other IRS positions and have strong backgrounds in these types of actions. They will be valuable resources during the initial period following transfer of responsibilities.

Senator DeConcini: Why does there seem to be no allowance in the Fiscal Year 1991 budget request for these new responsibilities?

Mr. Higgins: There is no allowance for these new responsibilities because there are many uncertainties: how many cases there will be; how long it will take to resolve each case; whether or not there will be a change in the structure of special occupational taxes. All these uncertainties have caused us not to request additional resources at this time.

Senator DeConcini: Does ATF have sufficient computer capacity to handle the responsibilities it plans to assume from IRS?

Mr. Higgins: We anticipate that the initial workload can be accommodated with our current capacity. ATF currently has several applications similar to the IRS requirement. Based on our analysis the projected initial workload will not exceed our capacity.

ATF requires additional computer capacity. We have one mainframe computer which is capable of handling only a portion of Compliance Operations current needs.

This computer is not able to handle: other current Compliance Operations applications, including tax and information processing; future Compliance Operations needs due to the takeover of functions from IRS; and critical Law Enforcement investigative needs.

Senator DeConcini: When, if at all, does ATF expect its computer capacity to become inadequate?

Mr. Higgins: Currently our computer is operating at 70 percent utilization 30 percent of the time. We are upgrading this computer and anticipate a 30 percent improvement in overall performance allowing us to handle the planned workload. However, implementation of ATF's Law Enforcement information system and planned improvements to Bureau wide mission critical systems will overtax our computer capacity by FY 1992.

Senator DeConcini: What steps is ATF taking to prepare for that occurrence?

Mr. Higgins: ATF has initiated an Information Systems Upgrade project. Current schedules indicate additional capacity could be available in FY 1992. This is assuming that monies are approved in the FY 1992 budget and we do not sustain major slippage in the procurement process.

LAW ENFORCEMENT

Senator DeConcini: ATF's Law Enforcement function is responsible for investigating violent and narcotics crimes involving the use of firearms or explosives; investigating arsons involving interstate commerce or complex, multi-jurisdictional cases; and assisting State and local Law Enforcement Agencies. The Fiscal Year 1991 budget calls for an increase of $11.88 million for this function. Almost all of that increase ($10.75 million) is programmed for the Firearms Program.

ATF's budget request for Fiscal Year 1991 states that both domestic and international narcotics terrorist groups have increased in size dramatically. With that in mind and given ATF's role in the war on drugs and violent crime, why are the staff years requested for Law Enforcement increasing by less than 1 percent from Fiscal Year 1990?

Mr. Higgins: The staff years requested for Law Enforcement are increasing by less than 1 percent from Fiscal Year 1990 due to the absorptions attributed to increased funding for AUO and other pay increases. However, the Bureau fully supports the efforts of the Administration and Congress to reduce the budget deficit, and fully supports the AUO and other pay increases.

Senator DeConcini: Please describe ATF's involvement with Organized Crime Drug Enforcement Task Forces and the resources it expects to devote to that effort in Fiscal Year 1991. To what extent, if at all, will ATF be reimbursed for any of those costs?

Mr. Higgins: ATF's overall goal in OCDETF is to identify, investigate and prosecute members of high-level drug trafficking enterprises through the use of Federal firearms and explosives laws. Firearms have proven to be an intricate part of drug trafficking operations, and most drug traffickers possess firearms for protection of themselves, their money, and narcotics.

Explosives have become the second most preferred weapon in the drug trade. Drug traffickers are continually targeted in ATF's explosives investigations since there are indications that explosives are used to further the illegal drug enterprise, protect territorial boundaries, or take over rival territories. In 1989, ATF investigated 51 bombings and 11 attempted bombings known to be drug-related. These incidents resulted in 13 deaths, 11 injuries and over $525,000 in property damage. ATF also made 143 explosives recoveries during drug-related explosives investigations and participated in joint investigations of 120 methamphetamine laboratories. ATF statistics show a 1,000 percent increase in the number of drug-related bombings since 1987. Drug traffickers' proclivity for explosives is also evidenced by the 300 percent increase in pounds of explosives recovered from drug-related suspects.

ATF's drug enforcement strategy is to maximize the use of our resources and statutory authority against these individuals and organizations. ATF is requesting an $812 thousand increase for FY 1991 over the $8.6 million allocation for FY 1990. This increase supports $750 thousand for overtime and $62 thousand for mission travel. The Bureau is not asking for additional FTEs in FY 1991. ATF expects to utilize all of its resources and to be fully reimbursed for our FTEs and costs.

Senator DeConcini: As part of its Law Enforcement function, ATF investigates arson cases. It provides investigatory assistance to State and local agencies, trains State and local agencies in arson-for-profit investigations, and claims to have saved about $380 million in fraudulent insurance claim payments since the inception of its Arson Enforcement Program.

How many dollars and staff did ATF devote to arson investigations in Fiscal Year 1989 and what is planned for Fiscal Year 1991?

Mr. Higgins: In Fiscal Year 1989, the Bureau devoted

290 FTEs and $21 million to arson investigations. In Fiscal Year 1991, the Bureau plans to devote 293 FTEs and $24.1 million to arson investigations.

Senator DeConcini: ATF's arson work seems to be of primary benefit to local enforcement agencies and insurance companies. Does ATF receive any reimbursement from those groups?

Mr. Higgins: ATF does not receive any financial reimbursement from local law enforcement agencies or from insurance companies.

Senator DeConcini: If yes, how are those reimbursements reflected in the budget?

Mr. Higgins: This question does not apply because there are no reimbursements for this purpose.

Senator DeConcini: If no, why not?

Mr. Higgins: ATF has a long tradition of assisting State and local law enforcement agencies with their fight against crime. Assistance within ATF's arson program to State and local law enforcement is aimed at providing investigative support and expertise in those areas that may be either beyond the scope of these agencies or a direct benefit to overall law enforcement goals. This assistance often results in ATF using personnel and equipment from other agencies, but it has not involved any type of financial reimbursement.

ATF has been cautious to investigate arson-for-profit crimes independent of the financial influence from the insurance industry. Although we work closely with persons associated with the industry to prove the often subtle elements of arson-for-profit crimes, it is not a two-way street because of the Federal Rules of Evidence and the disclosure concerns.

As an example, a suspected arson-for-profit motive can sometimes be discounted when other motives are established during an investigation. This fact can put ATF investigative interests in direct conflict with the financial interests of the insurance industry. In addition, the insurance industry often attributes a loss to ancillary elements that are irrelevant to criminal investigations.

In short, it is ATF's position that we must operate independently from the insurance industry to preserve our role as a crime detection fact-finding investigative agency. As a result, we ask for no financial reimbursement for the investigations we conduct.

SEQUESTRATION

Senator DeConcini: ATF, like other Federal agencies, had to adjust its Fiscal Year 1990 financial plan because of sequestration. According to information in ATF's budget for Fiscal Year 1991, that adjustment involved a reduction of 51 average positions and about $3.5 million.

How will those reductions affect ATF's ability to do its job in Fiscal Year 1990? Please be as specific as possible.

Mr. Higgins: Compliance Operations has had to absorb an 18 position reduction due to sequestration. In attempting to minimize the effects of these cuts, they were spread over three program areas: Alcohol, Firearms and Explosives. We chose not to reduce the Tobacco Program because we collect $4.3 billion a year in tobacco excise taxes with only 31 FTEs; and we did not wish to jeopardize those collections.

The absorption of cuts in the Alcohol Program (12 of the 18 FTEs) and Firearms Program (5 FTEs) creates conflicting directions. On one hand, we are receiving restored resources for the Alcohol Program; but then we have to cut back 12 FTEs. In the Firearms Program, we received a number of positions to support Congress and the President's efforts to combat armed career criminals and persons engaged in illegal drug activities; then we have to cut back that same program. The cuts due to sequestration minimize the goals of program enhancements.

During FY 1990, the Office of Law Enforcement will reduce its Firearms Program by 21 FTEs due to the impact of the sequester. This will result in 138 firearms investigations not being initiated and 111 suspects will not be recommended for prosecution. The Law Enforcement Explosives Program will be reduced 12 FTEs resulting in 27 explosives investigations not being initiated and 12 suspects not being recommended for prosecution.

Senator DeConcini: Since another sequestration has to be considered a possibility in Fiscal Year 1991, what contingency plans has ATF made to deal with that eventuality? Assuming a sequestration in 1991 similar in size to this year's, what specific activities would ATF cut back?

Mr. Higgins: We would probably cut back in several program areas, again in an attempt to minimize damage to any one program area. We would probably not apply any of the cuts to the Compliance Operations Tobacco Program.

Should a similar sequester occur in FY 1991, the

Bureau would again face further reductions of approximately 21 FTEs in our Law Enforcement Firearms Program and approximately an additional 12 FTEs in our Law Enforcement Explosives Program, with similar losses in investigations initiated and suspects recommended for prosecution. The Bureau would, however, rearrange investigative priorities to ensure that the highest priority investigations were conducted.

QUESTIONS SUBMITTED BY SENATOR KERREY

BUDGET LEVELS

Senator Kerrey: Your statement indicates that your budget request "proposes to essentially maintain the level of effort expended in FY 1990." You have an actual funding increase of $11.2 million, but your FTE remains the same at 3,706. Furthermore, if you look at the current services numbers, you need about $8 million more and 3,870 FTE. How can you maintain the level of effort without the current services funds and people?

Mr. Higgins: The budget was developed to fully fund the 3,706 FTE level in FY 1991. The budget does not support a higher FTE level due to mandatory costs which must be absorbed (e.g. AUO, 50 percent of January 1991 pay raise and unfunded inflation).

Senator Kerrey: If you had an additional 164 FTEs for a total of 3,870, how would you allocate these among your functions and how geographically?

Mr. Higgins: We would begin by restoring those programs which were cut in FY 1991 budget process. This would include 53 positions in the Compliance Operations Alcohol Program. These positions would primarily be inspector positions and, therefore, would be geographically dispersed throughout the country.

These FTEs would be used in our high priority areas of criminal misuse of explosives and our Firearms Enforcement Programs such as the Armed Career Criminal Task Forces. Our resources are assigned geographically, primarily using violent crime statistics as a barometer for need.

Senator Kerrey: What was your request to Treasury for FTEs for FY 1991? How would you have allocated the additional positions had they been available?

Mr. Higgins: Our original request to Treasury included 4,289 FTEs which is 583 FTEs above the President's request. Most of the additional FTE positions would have been allocated to support the Armed Career Criminal Apprehension Program and Operation Alliance. The other FTE positions would have supported Alcohol and Firearms Programs and tax compliance.

JOINT LAW ENFORCEMENT OPERATIONS

Senator Kerrey: For some time, I have been interested in multi-agency operations and in local-State-Federal law enforcement efforts. You participate in Operation Alliance. How do you coordinate your efforts? How do you determine "who's in charge"?

Mr. Higgins: ATF has assigned a special agent on a full-time basis to serve as our representative to Operation Alliance's Joint Command Group. His primary duty is to establish effective communications and coordinate for ATF with all of the other Federal, State, and local agency representatives to Operation Alliance on agency-wide policy issues or on special operations. On an individual case basis, ATF depends on our special agents working out of our various field offices to support Operation Alliance's 22 Border Alliance Groups, as well individual agency's requests to ATF for assistance. The individual in charge of these Operation Alliance investigations is determined based on such factors as type of violation; jurisdiction; number of agency personnel involved; who controls the confidential informant, etc.. In other words, a spirit of cooperation is imperative.

Senator Kerrey: When local law enforcement officials are involved, what are the mechanisms for coordinating your efforts?

Mr. Higgins: Again, as previously stated, ATF responds whenever our assistance is requested by local law enforcement and vice versa.

ORGANIZED CRIME GANGS

Senator Kerrey: You are the lead Federal agency for combatting organized crime gangs, such as the Jamaican Posses, the Crips and Bloods. But, you are a small agency and the task is large. You obviously have to depend heavily on local law enforcement personnel. In view of this, what do you do to ensure that you have a comprehensive and coordinated program, that you don't just respond to requests for help here and there?

Mr. Higgins: As stated, ATF is the lead Federal agency for combatting Jamaican Posses and Crips and Bloods. We maintain this leadership role through vigorous enforcement efforts conducted under the auspices of the Organized Crime Drug Enforcement Task Force, and through other regional and local task forces, both formal and informal. We have established investigations of these gangs as a national priority, and have designated our enforcement efforts against each gang as national projects. -Dedicated Headquarters special agents, intelligence analysts, and data clerks review all ATF investigations of these gangs, develop investigative leads and information from all sources, and refer then to appropriate field offices for action. ATF also conducts and participates in numerous training and information-sharing conferences nationwide, supplying our expertise whenever possible to educate other law enforcement agencies in the ways of these gangs. These conferences facilitate a rapid exchange of information among several agencies and result in more investigations being initiated. ATF also publishes intelligence booklets on a recurring basis containing updated information about gang activity throughout the United States and other affected countries. These are made available to Federal, State and local law enforcement officials through our field offices. ATF has proposed coordinated national, simultaneous, arrests and searches directed at gang members throughout the country. This concerted effort includes any Federal, State, or local authority which wishes to participate, and disrupts organized gang activity dependant upon other gang members, including criminal activity and escape. Implementation of this strategy has been successful in the past and yields significant investigative leads in addition to the immediate impact on the target.

Thus, through a system of national priority, coordinating investigations and information at the Headquarters level, conducting numerous training and information-sharing conferences, utilizing the task force concept whenever possible, disseminating current information through intelligence booklets, and conducting national roundups involving all venues and jurisdictions, ATF is able to aggressively pursue gang members and stop their violent criminal activity.

Senator Kerrey: In your statement, you cite ATF's participation in several actions against the Crips and Bloods but you also note that their membership has increased over the past 3 years and spread throughout the U.S. Is there an effective counter to them other than the types of operations you have cited or is it a matter of going after gang after gang in area after area?

Mr. Higgins: ATF is always seeking new ways to try to stop Crips and Bloods and their growing criminal enterprises which bring so much carnage to our streets. Unfortunately, there are no quick fixes or definite solutions. Their penchant for violence, their mobility, and their lack of conscience, contribute significantly to the problems encountered when dealing with gang members.

ATF, along with other Federal, State, and local agencies, is using all available resources and strategies to stop gang members from committing crimes.

We are diligently working together to concentrate our enforcement efforts, and we hope that by singling out Crips or Bloods and targeting them, we will achieve the desired effect of stopping their growth and, eventually, their crimes.

Additionally, ATF is assisting the Los Angeles County Sheriff's office to improve their Gang Reporting Evaluation and Tracking (GREAT) system. ATF is developing a Firearms Screen which will be used to connect a firearm to a gang member. ATF is also developing the first electronic mail system for GREAT users to submit requests for firearms traces directly to ATF's National Tracing Center. Should GREAT expand throughout the country, as is currently being researched, it will allow greater access to ATF's National Tracing Center by all Federal, State and local law enforcement agencies. These enhancements, coupled with our ongoing strategies and resources as previously depicted, offer what we believe to be the best effort possible to stop this criminal phenomena.

QUESTIONS SUBMITTED BY SENATOR BYRD

ADP FACILITY RELOCATION

Senator Byrd: I understand that the automatic data processing (ADP) facility of the Bureau of Alcohol, Tobacco and Firearms must be moved in the near future. What circumstances dictate such a relocation?

Mr. Higgins: The Bureau's mainframe computer facility is currently located in the Interstate Commerce Commission building, which is a part of the Federal Triangle complex comprising the Ariel Rios Federal Building, the U.S. Customs Service, and the ICC. This entire complex is scheduled for complete renovation on a staggered schedule, throughout the 1990's. The Ariel Rios Building, which currently houses ATF Bureau Headquarters, is first to undergo renovation, now scheduled to begin in February, 1991.

Although the ICC building is not scheduled for renovation until 1993, we have been advised by representatives of GSA and the Treasury Department that environmental systems serving the complex are so intertwined that disruptions to power, water, HVAC, etc, resulting from renovation of the ARFB, are inevitable. These disruptions may be only minor annoyances to personnel, but to sensitive computer systems running mission-essential programs, such as tax collection processing, such disruptions could be disastrous.

Given that ICC is scheduled for renovation in 1993, when we would be forced to move the computer center anyway, we feel it is more advantageous to plan to move the systems next year, avoiding the renovation-related disruptions.

Senator Byrd: What locations are under consideration?

Mr. Higgins: Although we are at a very early stage in this process, the Bureau is considering locations reasonably proximate to the Washington, DC area. Specifically, DC itself or locations within a two-hour drive radius are being considered.

Senator Byrd: What is the time frame of the relocation? Are other special considerations, such as workforce availability, cost of land, etc., especially critical in locating an ADP facility?

Mr. Higgins: Renovation of the ARFB is scheduled to begin in February, 1991. We would like to have the computer center moved by that time. Realistically, it may not be possible to achieve the move that soon. But, certainly, we would need to have the machines moved within a few weeks of the date the renovation begins. Availability of competent technical personnel is a very important issue in deciding where to place a computer center. We will be striving to achieve this move at a minimum cost to the public, so comparatively low-cost areas will get close attention.

Senator Byrd: How many employees would be involved in the move? How large a facility would be required for both equipment and staff?

Mr. Higgins: Ten to fifteen personnel would be required at the new center, with about half being government employees and half being contractors. There are currently 5 government employees and 6 contractors performing the work in our Washington center. The Bureau is in the process of acquiring a new mainframe system, which will significantly increase our space requirement. We estimate about 12,000 square feet of space would be required to house this center.

Senator Byrd: Have you investigated the possibility of relocating this activity in West Virginia?

Mr. Higgins: We are considering West Virginia as a possible site for the new center.

Senator Byrd: What have you found out?

Mr. Higgins: Certain parts of West Virginia, such as the Eastern Panhandle, would be good locations for such a center. We believe high-quality personnel would be readily available and the comparatively low cost of land, etc., is attractive. The northeast portion of the state would also be close enough to Washington to satisfy the need to be in reasonable proximity to Bureau Headquarters.

Senator Byrd: What about the possibility of sharing facilities with the Coast Guard in its new facility to be located in the Eastern Panhandle of West Virginia?

Mr. Higgins: We have discussed this possibility with Coast Guard officials and with GSA regional office representatives.

Senator Byrd: What is the outcome of those discussions?

Mr. Higgins: Although the Coast Guard was quite willing to help, if possible, our discussions with Coast Guard management and with GSA led us to the conclusion that the Coast Guard's space acquisition is too far along at this point to make such a major change in the requirement. Trying to accommodate the Bureau's needs in this solicitation could set the Coast Guard project back 6 months to a year.

Senator Byrd: Have you had discussions with the General Services Administration about the availability of rental facilities at an appropriate area in West Virginia?

Mr. Higgins: Yes, we have discussed this matter with GSA.

Senator Byrd: What is the outcome of those discussions?

Mr. Higgins: GSA has advised us that there is no standing computer room space available for rent in the appropriate areas of West Virginia. It is most likely that a new structure would have to be constructed.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

ANTICRIME INITIATIVE

Senator Domenici: The Fiscal Year 1991 budget request proposes to fund an additional 185 full-time equivalent (FTE) positions in support of the Fiscal Year 1990 anti-crime initiative. It also indicates that 100 percent absorption of administrative overtime costs and partial absorption of pay and inflationary increase will require the reduction of 169 FTE positions, 140 of which are to be taken from the Firearms Law Enforcement and Compliance activities.

As a result of this required FTE reduction, what will be the net increase in FTE positions in Fiscal Year

1991 to support the administration's anti-crime initiatives?

Mr. Higgins: Assuming the President's budget for FY 1991 is enacted as proposed, the Bureau would have a total of 901 FTEs directed to the Armed Career Criminal Apprehension Program. This represents an increase of 124 FTEs above FY 1990.

Senator Domenici: If anti-crime initiatives are being "Held harmless" from the FTE reductions necessitated by unfunded cost requirements, what will be the impact of these reductions on ATF's other activities?

Mr. Higgins: The anti-crime initiatives will be impacted along with other ATF activities. We understand the Drug Czar's Office has agreed to provide partial funding to ATF for AUO costs ($2,995,000 and 61 FTE positions).

BUREAU STAFFING

Senator Domenici: The Fiscal Year 1990 Appropriations Act requires the Bureau to achieve a minimum level of 3,850 FTE positions for Fiscal Year 1990, of which no fewer than 692 FTE positions shall be allocated for the Armed Career Criminal Program. Obviously, the Bureau is not going to be able to meet the total legislated staffing requirement. The budget indicates a total FTE position level of 3,706 for Fiscal Year 1990. Is the Bureau presently staffed up to meet this 3,706 FTE positions level for Fiscal Year 1990?

Mr. Higgins: The current Bureau staffing level will enable us to achieve 3,706 FTE positions for FY 1990.

Senator Domenici: Is the Bureau still planning to allocate 692 FTE positions for the Armed Career Criminal Program in Fiscal Year 1990? If not, what number of FTE positions are being allocated for this program?

Mr. Higgins: In Fiscal Year 1990, the Bureau is allocating 777 FTE positions to the Armed Career Criminal Program.

Senator Domenici: What number of FTE and amount of funding, net of reductions required to absorb unfunded mandatory inflation and personnel costs, is included in the Fiscal Year 1991 budget request for the Armed Career Criminal Program?

Mr. Higgins: The Armed Career Criminal Program portion of our budget request included 901 FTE positions and $69.7 million for FY 1991.

FY 1990 SUPPLEMENTAL FUNDING

Senator Domenici: The drug supplemental of $10 million for ATF included in the Fiscal Year 1990 Transportation Appropriations Act, as reflected in the budget justification, funded 41 FTE positions. The sequester resulted in a reduction of $3.494 million of the funds appropriated; the budget justification indicates a 51 FTE reduction associated with this funding reduction. How does the $3.5 million funding sequester cause a 51 FTE positions reduction when a $10 million supplemental funded 41 FTE positions?

Mr. Higgins: The $10 million supplemental funded other areas beyond the 41 FTE positions. There is no relationship between the sequester amount and the supplemental amount.

Senator Domenici: When calculating the total amount of funding and FTE positions available for both the Armed Career Criminal Program and the administration's anti-crime initiatives, which firearms compliance and law enforcement program components are included?

Mr. Higgins: All aspects of the Compliance Operations Firearms Program are included: both the qualification and compliance activities; and the various types of employees in this program, which would include inspectors, license examiners, supervisors, and managers. However, the primary Compliance Operations employee available for both the Armed Career Criminal Program and the Administration's anti-crime initiatives is the field inspector.

For FY 1991, Compliance Operations will allocate 251 FTE positions and $12.9 million to the Armed Career Criminal Apprehension Program.

Within the Office of Law Enforcement, 650 FTEs and $56.8 million are included for the Armed Career Criminal Program within ATF's Law Enforcement Firearms Program.

OPERATION ALLIANCE

Senator Domenici: How many FTE positions has ATF committed to Operation Alliance for Fiscal Year 1990? How does this compare to ATF's commitment to Operation Alliance in Fiscal Year 1989?

Mr. Higgins: In Fiscal Year 1990, ATF is committing 33 FTE positions to Operation Alliance. In Fiscal Year 1989, we also committed 33 FTEs.

Senator Domenici: What number of FTE positions will ATF commit to Operation Alliance in Fiscal Year 1991?

Mr. Higgins: In Fiscal Year 1991, the Bureau is maintaining its commitment of 33 FTEs to Operation Alliance.

Senator Domenici: Has Operation Alliance been successful in your view?

Mr. Higgins: Yes, Operation Alliance has been a success. However, there is still a severe problem in the Southwest Border area. Recently, President Bush in his National Drug Control Strategy designated the Operation Alliance area as a High Intensity Drug Trafficking Area.

ACES

Senator Domenici: In your testimony, you indicate that ATF initiated an Armed Career Criminal Study (ACES) in Washington, DC.

Was this study part of the Project Achilles Program or was it a separate effort? What were the results of this study?

Mr. Higgins: The Armed Career Criminal Enforcement Study (ACES) was a separate effort initiated by ATF and assisted by the Metropolitan Police Department. The study was conducted by ATF in the Washington, DC area to ascertain the best method to attack serious drug-related firearms problems, including associated violence which was experienced in the area.

The task force, comprised of specifically selected ATF agents and augmented by police officers from the Washington, DC Metropolitan Police Department and other Federal law enforcement agencies, concentrated its enforcement efforts primarily in one Washington police district. Investigative efforts were directed at both the use of firearms in narcotics and street crimes and the interdiction of the supply of firearms to narcotics traffickers in a specific police district.

The following statistics represent ACES accomplishments during the 5-month period (March 1 through July 31, 1989) that the study was operational.

- 194 criminal investigations were initiated.
- 191 individuals were arrested for violations of Federal and State firearms and narcotics laws.
- 85 Federal search warrants were executed to search for evidence of violations of the Federal firearms and narcotics laws.
- 94 firearms were recovered.
- Narcotics with a street value of $1 million were retained as evidence.
- The seizure and forfeiture of assets valued at $600,000 were facilitated.

- 90 criminal cases were recommended for prosecution.

ATF believes ACES was a success, as its accomplishments demonstrated an effective use of the Federal firearms laws in the war on drugs and the violence associated with it.

PROJECT ACHILLES

Senator Domenici: You indicate that as a result of the success of ACES, ATF is establishing eight new Project Achilles Task Forces to be located in Chicago, Miami, Los Angeles, New York, Philadelphia, Detroit, Phoenix and Washington, DC. which will become operational in March 1990. What factors did ATF consider in deciding where to locate these eight task forces?

Mr. Higgins: ATF identified the cities where the task forces will be implemented by the expected overall impact on violent crime.

We identified these cities as having a significant amount of individual targets that illegally use firearms in their violent acts, which will make them vulnerable to ATF laws and enforcement efforts. These geographic areas will be reviewed periodically to determine if the task forces are concentrating their efforts in the most violent areas of each city.

Senator Domenici: What is the number of FTE positions and funding being allocated for the operation of the Project Achilles Task Forces in each of Fiscal Years 1990 and 1991?

Mr. Higgins: In FY 1990, 107 positions and $6.8* million will be allocated to the eight Achilles Task Forces in the approximate 6 months they will be in operation. In FY 1991, based on the President's Budget, we will allocate 107 positions and $7.6 million in a full year of operation. We estimate 107 positions will expend 41 FTEs in FY 1990 and 107 FTEs in FY 1991.

* Includes one-time cost of equipment, $3 million.

Senator Domenici: Project Achilles began in FY 1987; where are Task Forces currently operating?

Mr. Higgins: Currently, all of our 22 Law Enforcement districts across the United States are participating in Project Achilles. Five of our district offices have established formal task forces: Boston, Charlotte, Detroit, Louisville, and Miami. The eight formal task forces, solely dedicated to Project Achilles, will be operational March 26, 1990. Task forces in Detroit and Miami will be restructured with enhanced assets in order to better meet the goals of Project Achilles.

WASHINGTON, DC METROPOLITAN AREA TASK FORCE

Senator Domenici: You indicate in your testimony that ATF is participating in the Metropolitan Area Task Force, initiated by the Director of the Office of National Drug Control Policy and Headed up by the DEA, to address drug and violence problems in Washington, DC.

What number of FTE positions and amount of funding is being allocated by ATF to this Task Force in each of Fiscal Years 1990 and 1991?

Mr. Higgins: In Fiscal Year 1990, we estimate that four FTEs and $356,000 will be expended on the Metropolitan Area Task Force. In Fiscal Year 1991, we are projecting that four FTEs and $371,000 will be expended.

Senator Domenici: If this Task Force is addressing crime and drug problems in Washington, D.C., and ATF is currently working on its "Weapons Group", why is ATF establishing a Project Achilles Task Force in Washington, D.C.?

Mr. Higgins: As a result of an initiative by National Drug Policy Director William Bennett, the Metropolitan Area Task Force was created under the auspices of the Drug Enforcement Administration. It includes representatives of most Washington, DC metropolitan area law enforcement agencies. Stemming from this initiative, 10 separate groups have been established to address the drug and violence problems that currently exist in the Washington, DC area. ATF has provided a supervisor and three special agents who, along with DEA agents and State and local police officers, comprise the "Weapons Group." The Project Achilles Task Force is assigned a specific geographical area within Washington, DC. The Seventh Police District of Washington, DC was identified as having a high violent crime rate. We believe that we can have a significant impact on the violent/narcotics criminals in this area by targeting it in this manner.

COMMUNICATIONS INTEROPERABILITY

Senator Domenici: You indicate in your testimony that the Over-The-Air Rekeying (OTAR) project sponsored by the Communications Interoperability Working Group of the Office of National Drug Control Policy to provide secure interagency communications is scheduled to be implemented as a multi-agency effort in the New Orleans area in the third quarter of FY 1990. What resources is ATF committing to this project?

Mr. Higgins: The Bureau of Alcohol, Tobacco and Firearms is supporting the Over The Air Rekeying (OTAR) project with hardware and manpower. We have ordered 40 OTAR capable radios, with approximately $160,000 in agency funds, as the Communications Interoperability Working Group (CIWG) was unable to support ATF's requirement from the Department of Defense funding for OTAR. We will provide all necessary staffing to support the project. All of our activities are being coordinated with the U.S. Customs Service, which has overall responsibility for the project.

DRUG TESTING

Senator Domenici: ATF's random drug testing program became effective on January 5, 1990. What is the estimated cost of this program in each of Fiscal Years 1990 and 1991? For each of these Fiscal Years, please provide a breakdown of the costs of performing the tests, supervisory training, employee awareness and assistance programs, and the other costs associated with this program?

Mr. Higgins: The estimated cost for the drug testing program for Fiscal Years 1990 and 1991 are shown in the following table.

ATF DRUG-FREE WORKPLACE PROGRAM

	FY 1990 ($000s)	FY 1991 ($000s)
Testing	34	37
Supervisory Training	22	2
Employee Awareness/Assistance	30	10
Other Costs	43	43
	129	92

DELINQUENT TAXPAYERS

Senator Domenici: Of approximately 600,000 special occupational taxpayers, you estimate 200,000 may be delinquent. What is the total amount estimated to be owed by these delinquent taxpayers?

Mr. Higgins: The delinquent taxpayers would owe a total of $50 million in taxes alone for the current tax year. However, most of these delinquent taxpayers would also owe taxes for past years as well as penalties and interest. Based on an average of a two-year delinquency, the 200,000 taxpayers would owe an estimated total of $170 million.

The existence of 200,000 delinquents, at this point, is only an estimate. The fact that it is an estimate, plus the difficulty ATF has in identifying retailers because they do not hold ATF permits, make collecting the total $170 million unlikely.

Due to the substantial effort required to identify, locate, contact, and collect from delinquent retailers, it would take several years to bring most of our delinquent population into compliance. The percent of those businesses which owe for past years should decrease due to our continuing enforcement actions regarding delinquents and our efforts to notify new businesses before they become delinquent.

Senator Domenici: What progress has ATF made over the past few years in reducing the number of businesses owing delinquent special taxes?

Mr. Higgins: Almost 150,000 active locations have been added to our database since ATF took over collection responsibility in 1987. During FY 1988, ATF added over 26,000 locations of businesses which are subject to special tax; and, during FY 1989, ATF added another 100,000 locations.

Of the 100,000 locations added last year, 66,000 can be specifically traced to ATF's direct initiatives. These are locations that ATF found, contacted and collected SOT. The rest of the locations added to the rolls were, we believe, due to ATF's extensive publicity program.

NEW COLLECTION RESPONSIBILITY

Senator Domenici: Responsibility for firearms and ammunition excise taxes will be transferred from the IRS to the Bureau by January 1, 1991, in accordance with the Budget Reconciliation Act of 1989. Will any additional resources be required by ATF to carry out this new responsibility? If so, what resources will be required and are they included in the Fiscal Year 1991 budget request?

Mr. Higgins: While we anticipate assuming the program from IRS without resource enhancement, we may encounter difficulties (for example, widespread fraudulent activity) which may require additional FTE positions in Fiscal Year 1992. Tax fraud investigations will take additional time and have a greater impact on our Gun Control Act Compliance Program, thus creating the need for additional resources.

ALCOHOL WARNING LABELS

Senator Domenici: Has the new alcoholic beverage health warning label requirement created an additional workload on the Bureau? If so, what additional resources have been required to manage this new program? When were the final regulations issued?

Mr. Higgins: The final regulations on the Alcoholic Beverage Labeling Act of 1988 were issued on February

14, 1990. Although these regulations are only recently in place, we anticipate an increased emphasis in the areas of label approval and field verification of labeling issues. Due to the reduction of 51 FTE positions in the FY 1991 Alcohol Program, we anticipate that no new resources will be available to manage this program. Rather, we will have to shift resources from other important program areas.

SPECIAL OCCUPATIONAL TAX

Senator Domenici: The Fiscal Year 1991 Budget Request proposes a reduction of 51 FTE positions and $3.9 million in ATF's Alcohol Compliance Program as a result of conducting 700 fewer inspections in the areas of qualification, trade practices and product integrity, and restructuring of the special occupational tax (SOT) system.

How is the SOT system being restructured and how have you estimated the savings to result from this system restructuring? What are the estimated savings?

Mr. Higgins: Currently, the special occupational tax (SOT) burden, applicable to the beverage alcohol industry, falls upon approximately 2,100 producers, approximately 11,000 wholesalers, and between 550,000 and 700,000 retailers. The retailer figure is expressed as a range because retailers do not hold permits with ATF, are generally only known to us in connection with SOT payments, and have a high delinquency rate estimated to be between 30 percent and 40 percent.

The restructuring proposal will shift the SOT burden from retailers to wholesalers and producers. This will enhance collections because all businesses subject to SOT will also hold ATF permits. This will give us a complete list of businesses liable for SOT. We will be promptly able to identify delinquents to affect prompt enforcement action. By dramatically reducing the number of liable entities, implementation of this proposal will make management of the program more effective and efficient and will enhance the promptness of enforcement efforts in the case of delinquencies.

Another approach that might be considered would be to pass on the retailer burden to producers and importers and tie in the SOT amount to the amount of excise tax payments. This will further enhance collections and make the application of the tax more equitable by directly tying in the amount of SOT to the amount of business conducted.

One other option under consideration is to prohibit wholesalers and suppliers from selling alcoholic beverages to retailers which fail to produce evidence that they paid SOT. Under this option, if a retailer did not produce its SOT stamp or other evidence of payment within 120 days, the wholesaler or supplier would not be lawfully able to sell to that retailer.

Estimated savings are about $4 million a year in ATF salary and related costs.

Senator Domenici: The reduction of 700 fewer inspections is partly based on a "more self-regulating industry". What evidence do you have to support the proposal that inspections be reduced as a result of the industry's ability to police itself. Will the public's welfare be at all jeopardized by this proposed reduction in product integrity inspections?

Mr. Higgins: We have determined that the efforts by the domestic industry to place the Government Warning Statement and to ensure its legibility were basically self-regulating. The industry evidenced a commitment to the letter and spirit of the law, indicating that it is a "more self-regulating industry."

At the same time, the incidence of label fraud activities at all levels has been increasing. If label fraud activities are allowed to go unchecked, they might undermine the public oriented goals of the Federal Alcohol Administration Act and the revenue collection goals of the Internal Revenue Code.

As an example of ATF enforcement efforts, in FY 1990, a labeling inspection disclosed that a major importer had significant and willful violations involving fraud. As a result of these violations, the Federal Government has taken the following actions: seizure of 1,090 cases of wine and distilled spirits; issuance of a Notice to Show Cause for a 21 day permit suspension; assessment of $900,000 liquidated damage charges; and referral to the Assistant United States Attorney for prosecution of criminal charges.

COLOMBIA FIREARMS SEIZURES

Senator Domenici: You indicate that two of your special agents detailed to Bogota, Colombia, for 30 days determined that a great many American firearms are ending up in the narcotics trafficking trade and terrorist activities. You indicate that to effectively impact on this activity, you must have accurate and up-to-date intelligence and have requested a permanent presence in Colombia with the assignment of one special agent. Has this request been granted? If not, who needs to approve this request?

Mr. Higgins: Direct, accurate, and timely information from firearms seizures is paramount in conducting the types of investigations that ATF has found effective in stemming the illegal flow of firearms to foreign countries. If accurate information can be obtained, contemporaneous with a firearms smuggling venture, ATF can trace the firearms and possibly identify and prosecute the source, thus ending the flow.

In February 1990, ATF received a list of 126 firearms that had been seized by Colombian authorities. This list was received because of the contacts and liaison established by the special agents while on their 30 day detail. However, the identifying information retrieved from the firearms was done by persons not knowledgeable with the type of information ATF requires for a firearm trace. As a result, only 45 of the firearms were traceable. This singular incident demonstrates the need for an ATF presence in Colombia to continue to establish liaison and contacts and to provide training to the police forces.

The U.S. State Department has not approved ATF's request for a permanent position in Colombia.

FAA ACT FUNDING

Senator Domenici: What level of funding do you estimate will be required in Fiscal Year 1990 to enforce the Federal Alcohol Administration Act? What level of funding do you anticipate will be required in Fiscal Year 1991 to enforce the Act?

Mr. Higgins: In Fiscal Year 1990, a total of $24.2 million will be spent for enforcement of the FAA Act. This enforcement effort includes a wide range of activities: qualification of businesses for entry into the industry; protection of the public from deceptive labeling practices; and investigation of anti-competitive trade practices.

We believe that we will be able to accomplish our objectives with the same resources allocated for FY 1990.

Senator Domenici: What was ATF's original budget request for Fiscal Year 1991 submitted to the Department of Treasury and how did it differ from the Fiscal Year 1991 President's Budget request? Please explain in detail.

Mr. Higgins: The Bureau's Departmental request for FY 1991 was for 4,289 FTE positions and $313.9 million. The original request included 185 FTE positions and $14.2 million for annualization of the anticrime initiative authorized for part of FY 1990. In addition, program initiatives requested included 517 FTEs and $51.8 million. It should be noted that this request included restoration of 130 FTEs and $8 million for the Compliance Operations Alcohol Program. Our FY 1990 appropriation maintained this program at the FY 1989 level, thereby, eliminating the need for this increase. Other significant increases included 229 FTEs and $19.2 million for the Armed Career Criminal Program and 30 FTEs and $2.5 million for Operation Alliance. Of the remaining 128 FTE positions and $22.1 million, 5 FTE positions and $2.9 million were approved to support our Information Systems initiative.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

METROPOLITAN TASK FORCES

ATF Task Forces and Proposal for ATF Task Force Program in New York City Housing Projects.

Senator D'Amato: I have been impressed with ATF's efforts in the D.C. housing projects. When everyone else wrote those projects off, ATF went in, and tried to clean them up, with a certain measure of success. Now I see that ATF has expanded on its D.C. pilot project by forming a number of new task forces in large metropolitan areas with high violent crime rates. The task forces are set up to concentrate on a specific geographic area of the city, targeting active armed career criminals and armed narcotics traffickers.

Do you have any statistics on the pilot program in Washington, D.C. that led to the formation of these new task forces? What can you tell us about the impact the D.C. pilot project has had?

Mr. Higgins: The Armed Criminal Enforcement Study (ACES) became operational on March 1, 1989, in Washington, DC. ATF agents, assisted by the Metropolitan Police Department and other Federal law enforcement agencies, concentrated its enforcement efforts primarily in one Washington police district. Investigative efforts were directed at both the use of firearms in narcotics and street crimes and the interdiction of the supply of firearms to narcotics traffickers in the Seventh Police District.

During the 5 months that ACES was operational, the following investigative activity was accomplished.

- 194 criminal investigations were initiated.
- 191 individuals were arrested for violations of Federal and State firearms and narcotics laws.
- 85 Federal search warrants were executed to 444 search for evidence of violations of the Federal firearms and narcotics laws.
- 94 firearms were recovered.
- Narcotics with a street value of $1 million were retained as evidence.
- The seizure and forfeiture of assets valued at $600,000 were facilitated.

- 90 criminal cases were recommended for prosecution.

Law Enforcement records reflect that the number of firearms taken into custody in the Washington, DC area each month while ACES was operational declined. The publicity generated about receiving a 5-year mandatory sentence for using a firearm while trafficking in narcotics seemed to be well understood on the streets.

Prior to ACES, street-level dealers were being regarded as "role models" and were highly respected by associates and underlings. A large number of their associates were the community's youth, who were easily influenced by the dealers' display of power, large sums of cash, and extravagant material possessions. ACES's constant presence and the pressure put on dealers by the execution of search warrants facilitated the removal of the "role models."

Senator D'Amato: I am very interested in ATF turning its attention to New York's housing projects, like the Butler Project where Darryl McPherson was shot. ATF's D.C. experience encourages me to think you could have a real impact if you took on this assignment. Would ATF be willing to expand its task force program in New York to target these housing projects for increased attention? What can you do with existing resources? What could you do if we provided you with your full original budget request of $313.9 million?

Mr. Higgins: The task forces are assigned to specific geographical areas within a specific city. These areas were identified as having a high violent crime rate, where we believe we can have a significant impact on the violent, narcotics criminal in the area. These geographic areas will be reviewed periodically to determine if the task forces are concentrating their efforts in the most violent area of each city. Proper adjustments will be made when required.

ATF would like to expand on its Achilles Task Force Program. However, the specific cities of any new task force have not yet been identified. We do not anticipate any additional task forces' being implemented with existing resources.

The Bureau's Departmental request for FY 1991 was for 4,289 FTE positions and $313.9 million. The original request included 185 FTE positions and $14.2 million for annualization of the anticrime initiative authorized for part of FY 1990. In addition, program initiatives requested included 517 FTEs and $51.8 million. It should be noted that this request included restoration of 130 FTEs and $8 million for the Compliance Operations Alcohol Program. Our FY 1990 appropriation maintained this program at the FY 1989 level, thereby, eliminating the need for this increase.

Other significant initiatives included 229 FTEs and $19.2 million for the Armed Career Criminal Program and 30 FTEs and $2.5 million for Operation Alliance. Of the remaining 128 FTE positions and $22.1 million, 5 FTE positions and $2.9 million were approved to support our Information System initiative.

PROGRAM REDUCTIONS

How Cuts in Law Enforcement Explosives Program Negatively Affect Anti-Terrorist Efforts.

Senator D'Amato: Page 17 of the blue pages of ATF's budget justification indicates that ATF's Law Enforcement Explosives Program will be reduced in FY 1991 by 29 FTE positions and almost $2 million caused by the requirement to partially absorb the FY 1991 pay raise and other inflationary requirements. This FTE reduction will result in 64 cases not being initiated and 29 suspects not being recommended for prosecution.

Is it fair to say that these reductions in the number of explosives cases are not due to a reduction in the threat, but that they are due to budget cuts in the Law Enforcement Explosives Program?

Mr. Higgins: Yes, this is a fair statement. The statistics for 1989 reveal a 27 percent increase in the number of bombings reported in 1988. Nowhere is the potential threat more evident than in the violence associated with drug trafficking. In 1989, ATF's statistics show a 1,000 percent increase in the number of drug-related bombings since 1987. The drug trafficker's proclivity for explosives is evidenced by the 300 percent increase in the pounds of explosives recovered from drug dealers/suspects.

Senator D'Amato: What percentage of bombings in the United States does ATF investigate? Isn't it true that we in the United States have been fortunate that terrorist activity has been kept to a minimum largely because we have had effective law enforcement? If we cut ATF's Law Enforcement Explosives Program, don't we run the risk of increased terrorist and criminal activity using explosives?

Mr. Higgins: ATF investigates 52 percent of the bombings in the United States. Even though this country has kept terrorist activity at a minimum, a threat still exists. For example, each year in the United States, 4.2 billion pounds of explosives are used for legitimate purposes. In contrast, 28 tons of explosives were reported stolen over the last 3 years. Given this continuing availability of explosives, the potential for criminal use remains high.

Senator D'Amato: How will these proposed cuts affect your Explosives Incident System (EXIS) and your International Explosives Incident System (I-EXIS)?

Mr. Higgins: The loss of agents will directly affect the quality of detailed information provided to EXIS. Fewer agents will mean less opportunity to thoroughly investigate all explosives incidents.

The I-EXIS system is dependent upon information provided by all agencies involved in explosives investigations outside the United States. Trends or leads developed by I-EXIS must be pursued by investigators both within and outside the country. Fewer agents would reduce this capability.

SEIZURE AUTHORITY

ATF Inability to Seize Cash: Proposed Change in Armed Career Criminal Statute to Correct Problem.

Senator D'Amato: Do you share my concern about the need to examine possible improvements in the Armed Career Criminal Statute, specifically, as it relates to the situation in which ATF arrests an armed career criminal, and finds great quantities of cash, which it cannot seize?

Mr. Higgins: Yes, I do. Currently under the provisions of 18 U.S.C. 924(c), ATF has authority to only seize and forfeit firearms or ammunition. A majority of these type investigations involve drug traffickers and henceforth it is not uncommon for our agents to come across large amounts of cash and assets that are part of the investigation. Under the provisions of 18 U.S.C. 924(c) and (e), this cash and assets cannot be seized.

Senator D'Amato: Please explain how, under current law, when ATF finds cash in these circumstances, it cannot seize the cash, but has to call in the DEA. Isn't this a duplication of effort and a waste of scarce personnel resources? I understand your Associate Director for Law Enforcement, Dan Hartnett, has spoken to DEA about a possible change in the law to address this problem, and that DEA is supportive. Is that true?

Mr. Higgins: In a situation where ATF is conducting an
18 U.S.C. 924(c) investigation of a drug trafficker carrying or using a firearm during or in relation to a drug trafficking crime and there is cash present that was allegedly involved in the drug dealing process, ATF can only detain the cash to either be turned over to the Drug Enforcement Administration (DEA) or allow State or local agencies to dispose of the property. Requiring DEA to process forfeitures resulting from ATF

investigations results in an administrative burden on DEA.

Extending ATF's seizure and forfeiture authority would provide for a more efficient forfeiture of seized property. Enhancing the Bureau's forfeiture authority is not intended to encroach upon DEA's investigative jurisdiction but is intended to provide for the efficient forfeiture of property in connection with our enforcement of the Armed Career Criminal Statutes. DEA has been contacted in regards to a possible change in the law addressing this problem and they are supportive of our efforts.

Senator D'Amato: Can you assign someone to work with our staff to develop legislation for correcting this problem?

Mr. Higgins: Our Office of Chief Counsel has already researched this issue, and they would be pleased to assist your staff in any way.

BUDGET ISSUES

ATF Budget Shortfall.

Senator D'Amato: Does the FY 1991 budget request leave ATF $12 million short of what it needs just to maintain its current staffing level of 3,850 agents and support personnel?

Mr. Higgins: We have a total of 3,850 agents and support personnel for FY 1990 and we are continuing that level into FY 1991.

Senator D'Amato: Is ATF being forced to absorb increases in pay costs, and the cost of changes in Administratively Uncontrollable Overtime (AUO)? What are the dollar amounts of those costs; and what other costs and savings (like so-called A-76 savings) is ATF forced to absorb?

Mr. Higgins: The FY 1991 budget request includes unfunded costs totaling $10.72 million. The breakdown of unfunded items is as follows: AUO $5.99 million, pay raise (50 percent) for FY 1991 $2.34 million, A-76 savings $.21 million and unfunded inflationary costs $2.18 million.

Senator D'Amato: Is it true that ATF originally requested $313.9 million to cover the cost of 4,289 agents and support personnel? What happened to that request? Who cut it?

Mr. Higgins: The Bureau's Departmental request for FY 1991 was for 4,289 FTE positions and $313.9 million. The original request included 185 FTE positions and $14.2 million for annualization of the anticrime initiative authorized for part of FY 1990. In addition, program initiatives requested included 517 FTEs and $51.8 million. It should be noted that this request included restoration of 130 FTEs and $8 million for the Compliance Operations Alcohol Program. Our FY 1990 appropriation maintained this program at the FY 1989 level, thereby, eliminating the need for this increase. Other significant initiatives included 229 FTEs and $19.2 million for the Armed Career Criminal Program and 30 FTEs and $2.5 million for Operation Alliance. Of the remaining 128 FTE positions and $22.1 million, 5 FTE positions and $2.9 million were approved to support our Information System initiative. Nonacceptance of these initiatives were split almost evenly by Treasury and OMB.

Fallacy of Applying the Drug/Non-Drug Distinction to ATF.

Senator D'Amato: Can you provide a clear statement for the record on how ATF efforts against drug traffickers and violent criminals are adversely affected by budget cuts in so-called "non-drug" areas? It is my understanding that ATF agents in the field do not ordinarily specialize in any one area, like drug enforcement, explosives, alcohol, arson, or firearms; and that ATF agents work in all areas. Can you comments on that? Is it true that a cut in virtually any area of ATF's budget affects all the other areas, including drugs?

Mr. Higgins: While we do have some specialized groups to work arson and criminal bombings, the vast majority of our agents focus on high priority firearms violations, many of which involve narcotics traffickers. If we were forced to reduce agents in explosives, for example, and a serious bombing occurred, we would respond, with agents who normally work firearms violations. All our agents are cross trained.

ATF is committed to utilizing our resources in the most effective, efficient manner possible. From that perspective, any resource cut would adversely affect our performance, including drug-related enforcement.

JAMAICAN POSSES

Senator D'Amato: Please describe the outcome of "Operation Wally-World," The recent joint effort in New York to dismantle the Spangler Jamaican Posse.

Mr. Higgins: "Operation Wally-World" is still a successful ongoing operation. A significant amount of arrests have been made along with several seizures of firearms, drugs and money. The arrests have been made on street-level or mid-level members of the Spangler Posse. As a result of these arrests, several defendants are cooperating with the Government. It is our hope that in the future we will be able to indict the top members of the Spangler Posse on RICO and CCE charges.

TRAINING

Senator D'Amato: In response to a question I asked at last year's budget hearing, ATF stated that its recruitment effort continues in the area of minority hiring in an effort to attract applicants with bilingual skills.

How many agents have you hired during the last Fiscal Year that are bilingual? How many ATF agents receive foreign language training each year? What funds does the Bureau need to provide adequate foreign language training for its agents?

Mr. Higgins: During FY 1989, ATF hired approximately 30 new special agents who were fluent in at least one language in addition to English. Most of these agents speak and/or understand Spanish. Some speak French, Italian, German, or oriental dialects.

When this figure is added to the previous cadre of agents, the Bureau has a total of 257 agents fluent in foreign languages.

As special requirements arise, the Bureau trains between one and two special agents in a foreign language each year. This training can involve lengths of time from 2 weeks, (to enable the agent to have a basic understanding of a foreign language as it is spoken by another) to 12 weeks for full lingual proficiency.

The effective training of an agent in a foreign language requires removing him/her from the field for 12 weeks, and requires the expenditure of approximately $17,000.

ATF's total staffing of field agents is presently 1,710. The previously listed number of bilingual agents represents 15 percent of the total staff. Considering the cost, in both time and loss of man-hours, to effectively train additional agents, we think our needs are better served though current hiring practices and temporary reassignments as necessary.

Senator D'Amato: What percentage of special agents in the New York field division have undergone either refresher or advanced training courses at the Federal Law Enforcement Training Center?

Mr. Higgins: During FY 1989, 17 special agents assigned to the New York District Office received refresher and/or advanced training at the Federal Law

Enforcement Training Center. The authorized staff for the New York District during FY 1989 was 112 agents. Based on that figure, 15 percent received refresher and/or advanced training at FLETC.

FIREARMS FOR SPECIAL AGENTS

Senator D'Amato: ATF stated for the record last year that it anticipated that by the end of calendar year 1989, a total of 1,000 9mm pistols would be issued to its special agents. Was that target met?

Mr. Higgins: ATF procured and fielded 1,000 Sig Sauer 9mm pistols prior to the end of calendar year 1989. Since that period we have purchased and fielded an additional 700 9mm pistols and are currently undertaking transitional training for these weapons.

PROJECT ACHILLES TASK FORCE

Senator D'Amato: What type of task force do you have in New York for Project Achilles (the repeat offender program)? What is the task force's budget? How many agents and other personnel are assigned to the task force?

Mr. Higgins: On March 26, 1990, a Project Achilles Task Force will become operational in New York City. This task force will consist of 10 special agents and 3 support personnel.

FY 1991 BUDGET PROBLEMS

Senator D'Amato: How much will ATF have to absorb due to the following: AUO, Pay Raise, SES, Sequester, and MCL?

Mr. Higgins: The absorption amount for AUO is $5.99 million, FY 1991 pay raise is $2.23 million, Executive Level/SES pay raise is $.11 million and MCL is $2.2 million. This totals $10.51 million. We understand the Drug Czar's Office has agreed to provide partial funding to ATF for AUO costs ($2,995,000 and 61 FTE positions).

Senator D'Amato: How many full time positions did ATF maintain in 1979? How many do you have today?

Mr. Higgins: The actual FTE achieved in FY 1979 was 3,928. The funded level in FY 1990 supports 3,706 FTE positions.

FEDERAL LAW ENFORCEMENT TRAINING CENTER

STATEMENT OF CHARLES F. RINKEVICH, DIRECTOR

ACCOMPANIED BY:

- **R.J. MILLER, DEPUTY DIRECTOR**
- **WILLIAM M. KELSO, ASSISTANT DIRECTOR, ADMINISTRATION**
- **JOHN C. DOOHER, ASSISTANT DIRECTOR, WASHINGTON OFFICE**
- **DENNIS STATON, COMPTROLLER**
- **DAVID M. NUMMY, DEPUTY ASSISTANT SECRETARY FOR DEPARTMENTAL FINANCE AND MANAGEMENT, DEPARTMENT OF THE TREASURY**

INTRODUCTION OF WITNESS

Senator DECONCINI. The next panel today consists of the representatives of the Federal Law Enforcement Training Center.

Our lead witness will be Mr. Charles Rinkevich, Director of the Federal Law Enforcement Training Center.

Mr. Rinkevich, it is a pleasure to have you and your associate directors here today. This subcommittee is proud of the fine training conducted by the Federal law enforcement personnel at FLETC's three training centers located in Glynco, GA, Marana, AZ, and Artesia, NM.

Since FLETC was first established it has proven not only to be a cost-efficient approach to law enforcement training demands, but also has proven to be a facilitator to effective cooperation amongst law enforcement agencies by fostering understanding of each agency's unique mission and purpose.

The subcommittee has strongly supported the consolidated approach to law enforcement training and is pleased to have played some role in the development of the centers. We look forward to reviewing your fiscal year 1991 budget request. You may want to introduce the people with you today, and then you may proceed with your opening statement.

Mr. RINKEVICH. Thank you, Mr. Chairman. First let me introduce Joe Miller, who is my Deputy Director. Of course, you have met Assistant Secretary Nummy, and next to him is John Dooher, who is our Assistant Director in Washington, Bill Kelso, who is the Assistant Director for Administration, and Dennis Staton, who is our Comptroller.

Mr. Chairman, I have submitted a long statement for the record, and with your permission I would just like to make a few opening comments and then proceed with whatever questions you and the subcommittee have.

CENTER RESPONSIBILITIES

As you know, we do train virtually everybody in Federal law enforcement except for the FBI, DEA, and the Postal Inspection Service, and we do have the three facilities that you are very familiar with. We think at this point in time, as we approach the beginning of the third decade, the end of the second decade of the existence of the Federal Law Enforcement Training Center, that we have been a bold experiment that works, for all the reasons that you have just articulated.

One of the things we are most pleased and proud to report on is the continued cost efficiency of consolidated training. There is a very, very favorable balance, economy of scale, that is achieved at the Center that is due only to the consolidated nature of what we do, and that allows us to offer the services and the quality training that we do for a very, very reasonable Government expenditure.

WORKLOAD

Our workload continues to grow. In 1990 we anticipate training something in excess of 29,000 students. In fiscal year 1991 we anticipate something slightly in excess of 32,000 students. However, I must tell you that the mix of our workload is beginning to change just a bit, and the reason for that change is that we are seeing a leveling off of basic students, which is reflecting the leveling off of new hires in Federal law enforcement. But there is a commensurate increase in advanced students, and part of the reason for that is because we have been so busy with our basic training over these last 3 or 4 years. We have not addressed advanced training with as much vigor as we should have because of capacity problems. We are now beginning to see that pendulum swing toward more advanced training.

FISCAL YEAR 1991 APPROPRIATION REQUEST

Finally, I would summarize our request for you, Mr. Chairman. Before you today is a salaries and expense account request of $36,727,000. We are also requesting in our acquisition, construction, improvements, and related expense account $18,735,000. We anticipate during fiscal year 1991 that we will receive $15,908,000 in reimbursables from our agencies for the services that we provide—training services that we provide to them—for a total budget for next fiscal year of $71,370,000.

I would conclude by saying that in spite of the workload increases that we have had, we feel very comfortable with the quality of training that we have continued to provide. We are also very pleased with the support that we have received from the Treasury Department, the OMB, and, of course, this subcommittee, for our master plan. That is something that is moving along quite nicely, and it is due in no small part to your interest and support. We have on the drawing boards projects that will bring the Center's capacity for training up to the level of workload that we have now and will have in the future.

PREPARED STATEMENT

And with those comments I will submit my prepared statement, Mr. Chairman, we are ready to answer any question you may have.

[The statement follows:]

STATEMENT OF CHARLES F. RINKEVICH

Mr. Chairman and members of the subcommittee, I am pleased to be here today to report on the operations of the Federal Law Enforcement Training Center [FLETC] and to support our appropriation request for fiscal year 1991.

At this time, I would like to introduce the representatives of the Center who have accompanied me: R.J. Miller, Deputy Director; John C. Dooher, Assistant Director, Washington Office; William M. Kelso, Assistant Director, Office of Administration; Gregory. F. Kuntz, Assistant to the Director; J. Dennis Staton, the Center's Comptroller; Kenneth V. Scally, Project Analyst; and Myrtis A. Barker, Staff Assistant, Washington Office.

Today, I am prepared to discuss a number of our initiatives that are outlined in the President's budget submitted in January. The Center's fiscal year 1991 request is for a salaries & expenses [S&E] appropriation of $36,727,000; a net increase of $1,228,000 over the fiscal year 1990 level. Our request for acquisition, construction, improvements and related expenses [ACI&RE] is $18,735,000, an increase of $3,735,000 over the fiscal year 1990 level. Coupled with $15,908,000 in funds to be reimbursed to us by our participating agencies for training related services, our total budget for fiscal year 1991 will be $71,370,000 if this request is approved.

As you know, the Center's mission is to conduct basic and advanced training for the majority of the Federal Government's law enforcement personnel. We also provide training for State and local law enforcement in specialized areas and support the training provided by our participating agencies that is specific to their needs.

Throughout the years, the Center has become known as an organization that provides high quality and cost efficient training with a "can do" attitude and state of the art programs and facilities.

During my seven year association with the Center, I have seen first-hand the many advantages of consolidated training for Federal law enforcement personnel, not the least of which is an enormous cost savings to the Government. Consolidated training avoids the duplication of overhead costs that would be incurred by the operation of multiple agency training sites. Furthermore, because of consolidated training we estimate the Government will avoid $77.3 million in per diem costs alone, based on the projected fiscal year 1991 workload and per diem rates in Washington and other major cities of $127.00/day versus the cost of housing and feeding a student at Glynco of $21.00/day. Consolidation also ensures a consistent, high quality of training and fosters cooperation and camaraderie in Federal law enforcement.

We are particularly proud that in the last few years we have been able to maintain that high quality training in spite of our enormous growth and the strain it has placed on Center staff and facilities.

PRESIDENT BUSH'S VISIT

On June 15, 1989, we were honored that President Bush visited Glynco. During his visit the President announced several new initiatives the administration planned or had recently taken in its war against crime. In his remarks the President also praised the quality of facilities and training offered at the Center. He emphasized the important role that consolidated training plays in fostering interagency cooperation and voiced his strong support of the Federal Law Enforcement Training Center concept.

WORKLOAD

During fiscal year 1989 the Center graduated 23,373 students, representing 94,769 student-weeks of training. This total included 18,395 students who were trained at Glynco; 2,551 students trained at our satellite center at Marana, Arizona; and 2,427 students trained in export programs conducted at various locations throughout the United States including 363 Border Patrol students at Ft. McClellan, Alabama. The total includes 10,951 basic students; 9,142 advanced students; and 3,280 State and local students.

The budget documentation which we have submitted indicates that during fiscal year 1990 the Center expects to train a total of 29,348 students, representing 104,886 student weeks. This total will include 25,287 students trained at Glynco; 2,214 students trained at our satellite center at Marana, Arizona; 702 students trained at our new satellite center in Artesia, New Mexico; and 1,145 students in export programs. The total includes 11,911 basic students; 13,638 advanced students; and 3,799 State and local students.

In spite of these earlier projections by our agencies, we now have indications that while the overall workload will likely be at the same level as projected, the mix of training will change. That is, we will be doing less basic training and more advanced training. This is the result of shifting budget priorities and the need to accommodate more advanced training which, by necessity, our agencies have been forced to defer in past years.

The Center projects that in fiscal year 1991 a total of 32,174 students will be trained, representing 104,105 students weeks of training. This total includes 26,072 students at Glynco; 2,037 at Marana; 2,920 students at Artesia; and 1,145 students in export programs. The total includes 11,666 basic students; 16,701 advanced students; and 3,807 state and local students.

Our budget request before you today provides funding for 100 percent of the direct cost of the fiscal year 1991 basic training, as projected by our participating organizations.

TEMPORARY FACILITIES

Mr. Chairman, as you know, the Center has experienced significant growth in the training demanded by its participating agencies. We have been able to accommodate these increased training needs by undertaking extraordinary measures. In order to accommodate the increases the Center has been required to temporarily expand our capacity for housing, dining, classroom, office space, and special training facilities during the last two years.

With the addition of a new dormitory in April of 1989, on-Center housing will now accommodate 1,436 students. However, this number of rooms is still not adequate to house all of the students attending training in a given week. Our average resident student population in off-Center housing was 499 during fiscal year 1989. To address this shortfall, the Center has continued contracts with motels in the local community to provide additional housing. This arrangement provides up to 400 additional rooms housing up to 800 additional students as needed. Unfortunately, housing students off-Center increases lodging cost to the Government and detracts from the students training experience. This also increases our transportation costs because special arrangements must be made to allow those students housed off-Center reasonable access to Glynco's dining and other support facilities.

Other temporary measures taken to expand the training capacity at Glynco, mentioned in my testimony last year, are still needed and remain in place today. Glynco's dining hall, with a seating capacity of 1,800, must still be supplemented by a temporary satellite dining facility located in the renovated first floor of a nearby building. The facility is needed to provide sufficient seating capacity and meal service to meet peak workload demands.

Still being utilized are the 26 portable buildings (trailers) purchased in January, 1988 to meet the extra demand for classrooms and offices. They have state of the art equipment and furnishings to ensure the maintenance of quality training. Fifteen of these trailers are used for classrooms, and the remaining eleven are devoted to faculty offices or support activities.

Other changes made to address the need for additional physical training space are also still in place. The second and third floors of the satellite dining facility mentioned previously are still used for physical training. Also, two cardiopulmonary resuscitation [CPR] training rooms have been relocated from the physical training building in order to provide extra training space in that complex. A third CPR training room is located in one of the trailers.

Seven residences that were used for visiting instructor housing in the past are now being used as temporary offices for staff. Further, some offices that were designed to support one person are now used by two. These adjustments were required to provide office space for the growing numbers of permanent and temporary staff needed to handle the increased workload.

Funding requested in this budget for continued implementation of the master plan will help alleviate these overcrowded conditions and move the Center closer to its goal of a state of the art facility capable of meeting all of the training needs of our agencies.

FACILITIES MASTER PLAN

Mr. Chairman, before getting into specifics of the Center's master plan, I would like to take a minute to report on progress we are making with respect to housing all of our students on Center.

Approximately $600,000 of construction monies appropriated by Congress in fiscal year 1989 were earmarked for starting the design and initial work for construction of a new dormitory. Congress appropriated an additional $6,400,000 in fiscal year 1990 to complete the dormitory. We are now at the 65 percent architect and engineering design stage, i.e., the architectural and engineering firm has completed preliminary design drawings for the dormitory; obtained Center engineering and management staff's comments on the preliminary drawings; and is now preparing detailed design drawings and specifications for the Center's review. It is anticipated that construction on this second new 228 bed dormitory will begin in mid 1991, with an estimated completion date in mid 1992. When completed the Center will be able to house 1,664 students on Center.

Now Mr. Chairman, if I may, I would like to proceed with the discussion of other aspects of the master plan. You will recall that in its fiscal year 1988 appropriations, the Center was authorized $200,000 to be used for the development of a revised facilities master plan. The master plan, presented to Congress last year, provides a basis for the efficient and orderly development of the Center's land and facilities resources. It is a comprehensive blueprint to guide the immediate and future expansion of the Center so that it can more effectively support the present training workload as well as the workload projected for the future. The plan requests a total of $86,010,000: $82,000,000 for Glynco; $3,000,000 for Artesia; and $1,010,000 for Marana. Through fiscal year 1990, Congress has appropriated $21,520,000 or, about 25 percent of the funds requested for this activity. If the fiscal year 1991 request is approved, we will have $36,475,000 or 42 percent of the funds needed to fully implement the master plan.

The master plan identifies three phases of construction. The first phase is designed essentially to provide the training and support capacity to handle our present and near term workload, eliminating the need for the temporary buildings and measures we have adopted to meet these needs which I outlined earlier. Of the $21,520,000 already appropriated by Congress for phase I master plan improvements, $20,595,000 is for Glynco projects; $625,000 is for Artesia projects; and $300,000 is for Marana projects. Glynco projects funded by these appropriations include: consolidation of the physical training complex; driver training expansion; cafeteria expansion; a dormitory (discussed earlier); and rifle range. Artesia projects funded include: a physical training facility; driver/firearms facility; and firearms ranges. Driver training ranges and practical exercise areas are also funded for Marana.

The Center's fiscal year 1991 ACI&RE request in the amount of $18,735,000 will provide the necessary resources to maintain our present facilities, complete phase I of the master plan, and implement some of the projects in phase II of the plan. Phase I projects that will be funded if our fiscal year 1991 request is approved include, at Glynco: expansion of the physical training complex; road improvements and bus shelters; renovation of the building used now as a temporary dining facility into office space; student center phase I; and a vehicle fueling/covered area. Phase I Artesia projects that would be funded include: construction of practical exercise areas; recreation areas; walkways; and architect/engineering services.

Projects in phase II that would be funded include: construction of a classroom building; an information systems computer complex; relocation of the graphics/media center; renovation of the present graphics/media center into offices; computer training facility renovation; and phase II of the student center. All of these projects are for Glynco.

Mr. Chairman, I would like to take this opportunity to personally thank you and the rest of the subcommittee members for the support you've given the Center in its master plan development and implementation. We are pleased and grateful that Congress has seen fit to appropriate the funds necessary to ensure that our facilities can keep pace with the training needs of our participating agencies. Only by doing so can we ensure the preservation of this important concept of consolidated training.

I also want you to know that every possible action is being taken to ensure the monies are being well spent. The Center is consulting closely with its participating organizations so that the design features of each project will meet current and future needs. This close consultation has stretched out the time it takes to design and construct facilities; however, we feel the time and effort is well spent because it will ensure that funds are efficiently and wisely used.

I am pleased to say that approximately $20,100,000 of the $21,500,000 in projects already funded by Congress are now at, or beyond, the 35 percent architect and engineering design phase. The remaining $1,400,000 in projects are in the conceptual design and development stage awaiting attention by an architectural and engineering firm.

We will be working with the Treasury Department and the Office of Management and Budget to determine the best way in which to deal with additional funding requirements for the remaining phase II as well as phase III requirements of the plan.

In this regard, I want to stress that the master plan represented our best estimates of our needs at the time it was developed. Obviously changing events may dictate modifications to the various projects outlined in the plan and approved by the administration and the Congress. As we identify the changes, I will keep this committee informed and, where necessary, seek your concurrence.

ARTESIA OPERATIONS

Purchase of the Artesia facility was completed during fiscal year 1989. The facility was dedicated and the first two classes completed training at Artesia in October 1989.

The Artesia facility has a 150-bed dormitory and a dining hall with seating for 265 persons and can serve 400 persons per meal. There are a total of four classrooms which will accommodate up to 120 students. Additional classroom space is being renovated, and when completed, will increase the classroom seating capacity to approximately 400 persons. Artesia will primarily accommodate advanced training programs for students posted in the Western United States. It will also accommodate basic training that cannot be done at Glynco because of space limitations.

During fiscal year 1990, the Center expects to train approximately 702 students at Artesia. In fiscal year 1991 the Center projects that 2,920 students will be trained there.

The Immigration and Naturalization Service is the principal agency committed to use Artesia for advanced training to date. However, several other users that we have identified include the Department of State, the U.S. Customs Service, the Federal Aviation Administration, and the U.S. Forest Service.

Currently, the Center is utilizing interim firearms and driver training ranges at Artesia. As I mentioned in testimony last year, the Center is considering acquiring from the Bureau of Land Management a nine square mile piece of land in close proximity to Artesia which is suitable for construction of permanent firearms and driver training ranges. A decision on the final site will depend on environmental issues, our agencies' training needs and cost considerations.

In fiscal year 1990, Congress appropriated $1,150,000 for plant operations at the Center-owned Artesia facility. Our fiscal year 1991 budget request includes an increase of $225,000 over the fiscal year 1990 level for Artesia plant operations. The additional funds are necessary to support the increasing workload at Artesia in fiscal year 1991. Plant operations include: telephone service, logistical contracts, utilities, material/supplies, and equipment.

GLYNCO/ARTESIA MAINTENANCE

As you know, the Government owned facilities of the Federal Law Enforcement Training Center are located on 1,500 acres of what was formerly a naval air station at Glynco, Georgia and 220 acres of the former Artesia Christian College at Artesia, New Mexico. The estimated replacement value for both Glynco and the Artesia satellite is in excess of $127 million. Over the past fourteen years at Glynco, and recently at Artesia, many of the existing buildings have been renovated and modified to accommodate various training and support activities. Additionally, the dynamic training requirements of Federal law enforcement necessitate not only continual maintenance and repair, but regular modifications to respond to our agencies' unanticipated training needs. The new Artesia training facilities—which include office, classroom, dormitory, and dining space—have also placed added demands on the Center's maintenance resources. By fiscal year 1991, both Glynco and Artesia will require the same type of maintenance.

In the fiscal year 1991 budget request, the Center is seeking $3,780,000 in no year funds for maintenance of facilities at both Glynco and Artesia. This is a $300,000 increase over the fiscal year 1990 level. The additional funds are necessary to support the Artesia facility. Based on our experience at Glynco, maintenance costs average $2 per square foot, and Artesia added an additional 150,000 square feet of space to our total inventory. The funds will be used to cover items such as replacing roofs, painting interior and exteriors of buildings, replacing single-pane windows with energy-efficient thermal-pane windows, repairing/replacing heating/air conditioning/ventilation systems, and other major maintenance needs. This amount is included in our ACI&RE account and is necessary to insure the continued repair and maintenance needed to protect the Government's investment, to provide a safe environment for students and staff, and to react to the ever changing training needs of our agencies.

MARANA OPERATIONS

In response to a 1984 request from the Department of Interior's Bureau of Indian Affairs [BIA] that the Center manage the Indian police academy, the Center opened a leased satellite facility at Marana, Arizona, approximately 35 miles north of Tucson.

The Center conducted the first 11-week basic Indian training program in January, 1985. Since that time, training for BIA and other agencies has been conducted. This training is essentially for those students who are posted in the western regions of the United States, but Marana also has been utilized for some of the overflow training that cannot be accommodated at Glynco.

During fiscal year 1989, a total of 2,551 students graduated from the Marana facility, representing 5,260 student weeks of training. This number included 397 students from the BIA basic and advanced programs and 2,154 students from other agency and State and local programs. In fiscal year 1990, it is anticipated that 2,214 students will attend training at Marana, and a projected 2,037 students are anticipated for fiscal year 1991.

Negotiations for the Center's lease with the Evergreen Air Park at the Marana facility were completed and a new lease signed on July 20, 1989. The new lease runs until September 30, 1992 and is renewable annually thereafter for two additional years at the Government's option.

FINANCIAL FRAUD INSTITUTE

The Center's fiscal year 1991 request includes $1,001,000 increase in funding for the continued development of the Financial Fraud Institute [FFI]. The increased funding requested will improve the Center's ability to provide enhanced training in the growing and increasingly complex area of financial fraud.

The FFI concept was approved by FLETC's board of directors on April 13, 1989. the FFI's goal is to serve and support all occupational components involved in the financial investigative community, i.e., investigators, auditors, analysts, prosecutors, and regulatory personnel devoted to the detection and elimination of fraud.

Our plans are for the FFI to play a larger and more proactive role in identifying and meeting the training needs of the financial investigative community. This will be accomplished through liaison with various elements in the investigative and financial communities; the use of special colloquies to verify training needs; and, by training personnel on the most advanced equipment, thus providing personnel with the latest investigative techniques and specialty skills needed to insure that investigators are prepared to meet the demands of criminal investigations involving the dynamic financial environment.

The FFI will serve as a repository for research methods, lesson plans, case studies, law enforcement applications, software, computer based training courseware, practical exercises and video tape training aids. Utilizing these resources and state of the art equipment, the FFI will be able to offer state of the art training in areas such as: money laundering, asset removal and forfeiture, link analysis, and execution of a search warrant in an automated environment.

Besides the traditional cost benefits derived from a centralized training facility, the FFI will have the ability to react timely to future financial crime training needs with subject matter experts working in an efficient, centralized environment.

Programs currently offered by the FFI include: criminal investigations in an automated environment; white collar crime; basic micro-computer; advanced micro-computer; and Inspector General basic. Other programs will be added as the needs are further defined.

I also want to note that the staff of Glynco's FFI are in close liaison with the Treasury Department's financial crime enforcement network [FINCEN] indeed, the FLETC will serve as the training arm of FINCEN.

EQUIPMENT

The fiscal year 1991 budget request for equipment is $2,545,000. This represents an increase of $214,000 over the fiscal year 1990 level. New equipment is needed to support the increase in the number of classes which the Center is experiencing. Earlier replacement schedules are also required for existing equipment because of the heavier daily use being experienced. The funds requested would provide new, as well as, replacement training equipment including weapons, vehicles, lab equipment, audio/video support, and ADP systems. Additionally, the Center at Glynco is functioning with an outdated telephone system. Approximately $1,000,000 of these funds will be used to purchase a new, modern telephone switching capability to allow full utilization of our ADP enhancements as well as provide expanded service to meet our recent growth. The $214,000 increase is required to support the FFI and Artesia plant operations and is included in those initiatives discussed earlier.

NATIONAL CENTER FOR STATE AND LOCAL TRAINING

Glynco's National Center for State and Local Training was established by the President in 1982 to provide training for State and local law enforcement agencies. Since its inception, the national Center has received broad support from the Federal, State and local law enforcement communities which provide subject matter experts for course and program development as well as instructional services.

During fiscal year 1989, there were 3,280 State and local students trained through the National Center in 30 selected advanced training programs. This budget request in the amount of $1,289,000, an increase of $40,000 over the fiscal year 1990 level, will provide for course and program development and administrative support to permit training of 3,807 students. The increase in funding is necessary to maintain current levels. Consistent with the shared funding concept that always has been part of our national Center, State and local agencies continue to be responsible for all expenses related to student salaries, travel, food, and lodging associated with this training.

Because of the success of the National Center, requests for training sometimes exceeds the space available at Glynco. Therefore, many of these programs are being conducted on an export basis at sites across the country including Artesia and Marana. Indeed, the number of State and local students trained annually at Glynco has remained below 1,400 for the last several years.

I'd also like to mention that we are exploring the feasibility of using the newly created commercial law enforcement television network [LETN] based in Dallas, Texas to expand the medium we use to deliver some of our State and local training. We continue to cooperate with the FBI and Kansas City, Missouri Police Department in using the LETN which they sponsor.

During the past year, the National Center for State and Local Training has been working on several new initiatives. One recently developed program being offered is the First Response Antiterrorism Training Program. This is a train-the-trainer program designed for qualified personnel with responsibilities for providing training in terrorist crisis response. The program was developed in conjunction with the FBI and training is provided by both FBI and FLETC instructors.

Currently, a Boating Accident Investigation Training Program is in the early stages of development. The Center completed a survey that identified a need for a program in this area during 1989. A curriculum development conference is now planned for April 1990. During the conference program requirements will be determined and specific assignments for further development of the program will be made.

In 1986 the Center was asked to participate in the Operation Alliance Initiative. This program is a cooperative effort among Federal, State, and local law enforcement agencies to interdict illegal drugs as they come across the Mexican border by means of highways, airways, waterways, and railway systems. It involves training in interdiction methods, as well as sharing of information data bases among law enforcement agencies.

The Center's role in operation alliance has been to assist in satisfying the overall training needs for participating Federal, State, and local law enforcement agencies. To this end, the Center has developed video training tapes covering topics that include: Operation Alliance overview; concealment methods—land conveyances; cross designation of Federal authority; concealment methods—marine smuggling detection; and hazardous devices in contraband concealment. During fiscal year 1989 the Center completed and added the following tapes to the operation alliance video library: asset forfeiture and sharing; utilization of Federal firearms laws against narcotics traffickers; communications; and money laundering.

MARITIME ANTITERRORISM TRAINING

In a conference report which accompanied the fiscal year 1988 appropriations, Congress directed the Center to assess the need for maritime antiterrorism and seaport security training. In June, 1988, a meeting of a shall group of experts in seaport security was convened at Glynco to discuss the possible need for a Maritime Antiterrorism and Seaport Security Training Program [MATSSTP]. Subsequently, the Center administered a needs survey which indicated that there was sufficient interest to warrant the development of such a program.

Development and design of the program was completed in fiscal year 1989. The resulting eight-day Seaport Security/Antiterrorism Training Program addresses the following issues: threat awareness and tactics; security and contingency planning; port threat assessment and protective measures; port surveys and inspections; International Maritime Organization security measures; bombs and explosive devices; security systems and hardware; screening and search techniques; crisis management; and emergency planning.

We project that 120 students will attend the Seaport Security/Antiterrorism Training Program in both fiscal year 1990 and fiscal year 1991.

ANTITERRORISM AND PHYSICAL SECURITY TRAINING

As I mentioned last year, the Center has developed several antiterrorism training programs. Up to 28 hours of antiterrorism training has been incorporated into existing basic programs. In addition, four Center advanced programs have been developed to address this problem.

The Antiterrorism Management Training Program, which is three days long, stresses the prevention aspects of antiterrorism and includes sources of criminal information/intelligence, crime prevention, physical security, personal protection, operations security, and media relations.

The three day Antiterrorism Contingency Planning Training Program focuses on the needs of agencies who are the first to respond to a terrorist incident. Guest instructors from the FBI assist in this program with instruction on that agency's responsibility during terrorism incidents, crisis management, and interagency cooperation. In addition, FBI SWAT teams assist with a demonstration of proper procedures for transferring control from the first responding agency to the SWAT team during a hostage barricade terrorist incident.

The Physical Security Managers Training Program, three days in length, was designed to prepare the individual responsible for managing the physical security effort of an organization.

The fourth antiterrorism training program developed by the Center is the eight day Advanced Physical Security Training Program. The program is designed to provide the student with an in-depth knowledge of physical security procedures and equipment.

In fiscal year 1988 the Center completed the construction of a physical security/antiterrorism training facility. This is a model physical security site that allows us to provide specialized training on state of the art equipment and procedures to be used for intrusion detection and other security and antiterrorism topics.

Another initiative begun by the Center in the area of antiterrorism is a survey to determine if a need exists for a Criminal/Terrorist Information Analyst's Training Program. The results of the survey suggest that there is a need for this training and the Center will continue to pursue its development. It is anticipated that this would develop into a one or two week program covering topics such as introduction to the intelligence and analysis process, link analysis techniques, communication skills, sources of information and intelligence, charting techniques, computer assistance analysis, intelligence report writing, and analytical techniques.

GOODWILL GAMES ANTITERRORISM TRAINING

At their request, the Center held discussions with the Department of Defense [DOD] during June and July concerning exportable training the Center could provide to security forces of the Goodwill Games in Seattle, Washington. As a result of these contacts, the Center developed a proposed training plan and made a presentation to the Seattle Police Department in October 1989. The proposal called for the Center to conduct two programs; a version of the Physical Security Managers Training Program specifically tailored to meet the unique requirements of the Goodwill Games for event site security supervisors and the First Response Training Program for security training personnel. The Seattle Police Department accepted the Center's proposal and requested and received funding for the training from the DOD.

The Physical Security Managers Training Program was provided to 32 Goodwill game event security supervisors between November 25 and December 1, 1989. The First Response Training Program will be provided to approximately 35 security training personnel from the Spokane, Tacoma, Kings County, and Seattle police departments beginning April 9, 1990.

CLOSING

Mr. Chairman, in closing, I would like to say that I remain strongly committed to the effort of the administration and this subcommittee to control government expenditures. At the same time, I am committed to the mission of the Center to provide high quality training at the lowest cost possible. Substantial savings are being realized through the operation of the Center as a consolidated training facility, and I recognize that our success is made possible, in large part, through this committee's support and guidance. I look forward to your continued support as we strive to remain a center of excellence.

My colleagues and I are available to answer any questions you may have concerning this appropriation request.

MARANA OPERATIONS COSTS

Senator DECONCINI. Thank you. In fiscal year 1991 your budget request for salaries and expenses totaled $36,727,000 and 425 full-time equivalent positions. This amount represented a slight increase of $727,000 over the fiscal year 1990 enacted level of appropriations.

Your budget assumes nonrecurring costs of $700,000, which includes $481,000 for one-time equipment costs, and $219,000 in one-time costs for operations at Marana.

Can you explain why the $219,000 added by the Congress in fiscal year 1990 for Marana operations support is being shown as a nonrecurring cost in your fiscal year 1991 budget?

Mr. RINKEVICH. That cost, as I recall, Mr. Chairman, was not considered to be part of the base in the review that occurred after the departmental level at the OMB level; am I not correct on that, Bill?

Mr. KELSO. That's correct. The money was used to support an increase in room and board costs at the Marana facility for which the agencies were kind of caught by surprise. This money was made available to hold the line through that fiscal year on room and board costs.

Senator DECONCINI. Why won't you need it for 1991?

Mr. KELSO. The——

Mr. RINKEVICH. Excuse me, Bill. If we were to maintain that same balance we would need it in fiscal year 1991, that's correct.

Senator DECONCINI. Don't you anticipate having to maintain that same balance?

Mr. RINKEVICH. We did. Yes, sir; we did.

Senator DECONCINI. I mean, for 1991 you are going to have to maintain that same balance, so you are going to need it, correct? If the additional $219,000 is not provided in 1991, what will be the impact on student training costs?

Mr. RINKEVICH. We will have to increase those costs to the pre-fiscal year 1990 level, which is something like $43 a day, instead of $37 a day.

Senator DECONCINI. Which means you need the money, and yet it is not there.

Mr. RINKEVICH. That's correct.

Senator DECONCINI. So OMB cut it out, I presume. Let me just ask the question.

Did you ask OMB for it?

Mr. RINKEVICH. I am not sure where it got cut.

Mr. NUMMY. Yes, sir; we did.

Senator DeConcini. And they cut it out.

DEA TRAINING

Last year we discussed the training requirements of the DEA. At that time you informed the committee that you expected to discuss training plans with the DEA.

What is the status, if you know, of the Department of Justice plans for meeting the training requirements of DEA?

Mr. Rinkevich. That issue continues to be high on our agenda. As a matter of fact, Mr. Chairman, we have had meetings today with our colleagues from the Office of Management and Budget. The status is that the Department of the Treasury and the Department of Justice have agreed to a joint study to determine the best means of achieving the DEA training requirements.

The Center's position, the Treasury position, continues to be that there is capacity at the FLETC and that there are strong advantages for the location of the DEA training at the FLETC, if in fact a decision is made to relocate DEA training. When the decision was originally made to move DEA training to Quantico from Glynco, it was on the assumption that there would be a merger of the FBI and the DEA interests. And should that occur, we have no reason to suggest that there should be a relocation of the training back to Glynco. Our interest is, if there is going to be a building of a new facility, or relocation to another part of the country, or separation of the DEA and the FBI training, then we would like to see the FLETC considered as an alternative.

Senator DeConcini. Has it now been agreed to that there will be a study?

Mr. Rinkevich. It has been agreed to that there will be a joint study.

Senator DeConcini. Has that study commenced?

Mr. Rinkevich. No, sir; it hasn't. That agreement was just reached today.

Senator DeConcini. I see. When will the study be finished?

Mr. Rinkevich. We haven't set a timeframe for it, but I know that we are anxious for it to be resolved, and I know that both the FBI and the DEA are. So I would assume, sir, within a matter of—I don't want to give a timeframe, but I would think 2 or 3 months would be a——

Senator DeConcini. Soon?

Mr. Rinkevich. Very soon.

Senator DeConcini. There is some speculation that to satisfy the DEA requirements at Quantico it would cost as much as $90 million. Have you heard that figure too?

Mr. Rinkevich. I have heard that figure, but I have no way of confirming it.

Senator DeConcini. And this study will bring into focus what that may be, as well as what it would cost to build any additional facilities at FLETC?

Mr. Rinkevich. That's correct, sir. And if I could add, Mr. Chairman, one of the things that we will want to address in that study is whether or not those facilities that we have projected in our master plant for Glynco, and the dollars associated with them, will be adequate to absorb the DEA training. Because when we did the master plan and submitted it to this committee and others in June of last year, we did not anticipate the DEA being part of the workload. So that issue will have to be resolved in this study as well.

Senator **DeConcini**. So you would have to have some additional facilities?

Mr. **Rinkevich**. We don't know that, sir.

Senator **DeConcini**. But you are anticipating that?

Mr. **Rinkevich**. We need to look at that question.

Senator **DeConcini**. But, obviously, a lot of what you do have could be used——

Mr. **Rinkevich**. Absolutely.

Senator **DeConcini**. And that is what the study is going to find, what integration you could use and what new buildings are most cost effective?

Mr. **Rinkevich**. Absolutely.

Senator **DeConcini**. When that study is available, will you submit that to the committee? We are interested in reviewing that, also.

Senator Domenici.

Senator **Domenici**. Mr. Chairman, I don't have a number of questions, just a couple.

Let me join in congratulating you on the way you are operating FLETC. I think it is, as you indicated, a bold experiment and it is working. I have a particular question about Artesia which I will ask you in a minute, but let me address the issue of the Justice Department having a new facility.

DEPARTMENT ASSISTANCE ON DEA STUDY

I hope that when you go into these joint discussions to do this planning that the Department, not just FLETC standing there alone, is involved. I can tell you that 1½ years ago when we had an issue of Justice seeking a facility—it wasn't going to be for DEA, but for another aspect of their activities—it happened that Artesia was being considered. And this was not left to FLETC to fight. Then Secretary of the Treasury Jim Baker was personally involved, talked to me on the telephone and said that if we created another freestanding facility for any of Justice's activities, we just as well know that that would be a reason to veto an appropriation bill that had it in it, and that he would do it.

That's how Artesia ended up being part of FLETC. Now you know all the rest of the story.

But essentially, whether Artesia was involved or not, I think the DEA—and if they were here I would tell them—I mean, they were created as some special group of people, but they kind of act all on their own in every respect around this place. I assumed when I saw some of you with a slight smile on your face as we spoke about DEA, without talking you seem to have some impression of the DEA that is deserving of a smirk at least.

So I strongly recommend that we not let ourselves get down the line here with justification for a $70, $80, $90 million facility in the name of expansion of the FBI-DEA facility when there is going to be a giant new DEA facility. The next thing we will see is overcapacity in it. Then we will see INS and the other Justice law enforcement agencies presently training at FLETC floating over there and we will have our ongoing most developed facility in the world competing in a way that we never intended it to compete.

So I urge that the Department consider this a very, very important event.

Mr. Nummy. The Department has been, and I hope FLETC would agree that we have been, trying to be in there behind them.

Mr. Rinkevich. Absolutely, Senator Domenici. They have been supportive, and the meetings this morning with OMB involved the Department, so we are foursquare together on this issue.

Mr. Miller. And this will be a departmental level study, rather than just FLETC. It will be a joint departmental level study.

CONSTRUCTION COSTS

Senator Domenici. OK. With reference to the $14,955,000 request for fiscal year 1991 for master plan construction, $250,000 is for Artesia projects and the balance is for projects at Glynco. Let me just ask, is that the same amount included in the Center's original fiscal year 1991 request to Treasury?

If it isn't, what additional master plan projects did you request funding for in fiscal year 1991, and what will be the effect of delaying funding for these projects until 1992?

DORMITORY REQUESTS

Mr. Rinkevich. I am not sure I have got that information at hand, Senator.

Mr. Miller. The dormitories——

Mr. Dooher. The dormitories at both Glynco and Artesia were the two construction projects, I believe.

Senator Domenici. So they were in the master plan and you have submitted the funding for the master plan without them for the year 1991? The next increment of the master plan funding has two parts that are out, and you will have to be delaying them, I assume?

Mr. Dooher. They are not in this fiscal year's request, that's correct.

Senator Domenici. How much are they? Does anybody remember?

Mr. Rinkevich. The dormitory is over $2 million.

Mr. Dooher. $2,125,000.

Senator Domenici. Is that for both facilities?

Mr. Dooher. That is for Artesia. And then Glynco I believe is about $8 million.

Mr. Rinkevich. So $10 million.

Senator Domenici. OK. Well, if we thought we needed them, why don't we need them now? I mean, I know we are short of money, but how is the planned utilization of FLETC's facilities going to be affected if we don't start the dorms?

Mr. Rinkevich. Well, Senator Domenici, our plan called for them to be in the fiscal year 1991 appropriation and they are not there, and the same answer that Director Higgins, you know, those reviews occur at the Department level and the OMB level, and their judgments prevail.

Mr. MILLER. These were included in the Department review though.

Senator DOMENICI. So is it fair to say that with reference to Artesia, just taking it, and I assume the same would apply more or less to Glynco, if we don't start the dormitories and get them on board as you planned in the master plan, then whatever utility you had for the facilities in the 1992 cycle, you won't be able to be as flexible nor as available for the kind of training you expected to do?

Mr. RINKEVICH. Yes, sir; that is correct.

Senator DOMENICI. Aren't they critical?

TEMPORARY HOUSING MEASURES

Senator DECONCINI. If the Senator would yield, what do you do, put them in motels now?

Mr. MILLER. Yes, sir; motels and busing them back and forth.

Senator DECONCINI. So that is what you would have to continue to do, and that costs you a lot more than it would to build the dormitories, correct?

Mr. MILLER. Over a period of time.

Senator DECONCINI. Thank you.

Senator DOMENICI. And essentially, is it part of your overall master plan to minimize the outside dormitories as much as possible?

FACILITY HOUSING BENEFITS

Mr. RINKEVICH. Our master plan envisions eliminating that completely so that all residential capacity necessary would be on the facility, either at Glynco or at Artesia.

Senator DOMENICI. You do that on the basis, as the chairman indicated, that over the long run it is cheaper, and is there some efficiency involved too in terms of training?

Mr. RINKEVICH. It is not only cheaper, Senator, but it affects the quality of training. When we have to have the students living off the facility, it means that they don't have immediate access to the interaction that occurs amongst the various agencies that train on site. They don't have immediate access to our after hours physical training, as well as recreational activity. As you know, our community is a relatively small one and we need those special facilities that we have at Glynco to provide wholesome activities for our students. There also are problems with changing of clothes for events during the day if students are not housed at the Center. So it is quality of training plus an economic reason that the Center should have enough residential capacity.

Senator DOMENICI. I would assume it is the same or worse in Artesia from the standpoint even of accessibility of outside living quarters.

Mr. RINKEVICH. Yes, sir.

Senator DOMENICI. It would seem to me to be even more difficult. You can find some in a reasonable area there, but if you don't find something in Artesia you don't have anything. You have to drive up the road 30 miles, I guess, to Carlsbad.

Thank you very much, Mr. Chairman.

OFF-CENTER HOUSING REQUIREMENTS

Senator DECONCINI. How many students do you not have space for that have to stay in motels off campus?

Mr. RINKEVICH. I think I can give you a projection for our workload. One second. Where is the dormitory tab, Dennis?

Mr. STATON. Tab 48 has off-Center housing.

Mr. RINKEVICH. Our anticipated average resident student population in fiscal year 1990 is 1,877. So I can tell you that on an average week we will have 1,877 students in residence. Our present capacity is 1,436, so the difference between those two numbers is what we would have to house, on the average, in the local community. And the same is true for fiscal year 1991.

And I am just giving you the Glynco figures, this does not include the Artesia figures. In 1991 we are anticipating an average resident student population of about 1,800, and the housing capacity will still be 1,436.

OFF-CENTER HOUSING COSTS

Senator DECONCINI. Do you have any idea how much is spent for the lodging outside of the Glynco facility?

Mr. RINKEVICH. Yes, sir; through fiscal year 1988 we spent nearly $7 million, if you used the average cost of housing a government employee in our Brunswick area. And we compute, using that same average cost, that over the total period, which would have been 1986–87 through 1989, we would have spent $11.5 million in per diem costs. Now, at a point in time——

Senator DECONCINI. You don't spend it, the agencies do.

Mr. RINKEVICH. The agencies do.

Senator DECONCINI. The agencies spent $7 million last year?

Mr. RINKEVICH. No; through fiscal year 1989. That is a cumulative figure.

Senator DECONCINI. That is a cumulative figure. How much for 1 year? Do you have that?

Mr. RINKEVICH. I can give it to you for fiscal year 1989. It was $4.6 million. Now, I must caveat that figure, Senator, and that is, using the average cost of per diem. We have arranged for some contract housing, and when we use that we can get a better rate for that. So if you want a precise figure, I would have to give that to you for the record, but that is the maximum amount that we would cause the agencies to incur. And we are able to realize some savings within that figure by doing these contracts with the local motels.

Senator DOMENICI. How about Artesia, do you have the same numbers?

Mr. RINKEVICH. We don't have the experience there yet, Senator, because we haven't had the capacity.

Senator DECONCINI. So you would have an income there of roughly $4 million a year?

Mr. RINKEVICH. No; the agencies would have to pay out that cost to house their students.

Senator DECONCINI. But I mean, what would they pay you if you had residency space for them?

Mr. RINKEVICH. What I have given you is the resulting increased costs—the increased costs—which means that if we had adequate housing—it would have cost them considerably less, but because we didn't have adequate housing, this is what it costs them in addition to——

Senator DECONCINI. They don't pay you to stay on campus?

Mr. RINKEVICH. Yes; they do. So this would have been the increased cost over and above that. The average cost for us on the campus is $21 a day, and the average cost for the student when he lives in the community is $43 a day. Contract housing costs would be somewhere between these two figures.

Senator DECONCINI. So it is about double, and they pay both of those costs?

Mr. RINKEVICH. That's the maximum, correct.

Senator DOMENICI. So the truth of the matter, Mr. Director, is that other agencies are paying in 1 year one-half the cost of building the dormitory, but since it is coming out of other pockets we are not building it.

Mr. RINKEVICH. That's correct.

Senator DOMENICI. That is not very good.

Mr. RINKEVICH. It is spread across the 60 agencies that we train.

Senator DECONCINI. When one agency is a priority? Maybe I should let the Senator from New Mexico ask this question to get the answer he wants.

Senator DOMENICI. This is one of those where there is a dual priority. Duality. [Laughter.]

DORMITORY COSTS

Senator DECONCINI. The reason I asked this question is that you can build a dormitory in Artesia for a couple of million dollars. Do you have to spend $8 million to construct the dormitories at Glynco, or do you have any alternative? Can you build one-half of a dormitory?

Mr. RINKEVICH. No; you couldn't build one-half of a dormitory.

Senator DECONCINI. But it is $10 million for one dormitory?

Mr. DOOHER. It is about $8 million.

Senator DECONCINI. It is about $8 million.

Mr. DOOHER. $8 million for one at Glynco.

Senator DECONCINI. That is $8 million for one dormitory?

Senator DOMENICI. And $2 million for the one in Artesia.

Mr. DOOHER. One is adding a wing to an existing building——

Mr. RINKEVICH. The one in Artesia.

Mr. DOOHER. And the other, at Glynco, is a whole new freestanding building and it requires additional——

OFF-CENTER HOUSING USE

Mr. RINKEVICH. Just to make it a little clearer for you, for fiscal year 1989—Mr. Kelso just computed these figures—we had an average resident student population in the community, living in the motels, of 499. So at any given time there were 500 FLETC students living in the local motels. I must tell you that the local motel owners love us.

DORMITORY FUNDING

Senator DeConcini. Do you have any contingency plan? What would you do if the committee gave you $4 million for Glynco? Could you build one-half of it, knowing that next year you would add the rest of the wing, or is that just really the worst of all worlds?

Mr. Rinkevich. If that were the worst of all worlds, and amongst all the other priorities that were the highest priority, yes, I suppose we could do that.

Senator DeConcini. You would have to judge that after you got the money and looked into the situation. I am not suggesting we are going to do that, but I——

Senator Domenici. But we might not be able to get $10 million.

Senator DeConcini. We might not be able to get $10 million, but maybe we will get part of that amount, and we certainly would want Artesia to have its little addition.

Senator Domenici. If he wants the $8 million, we are going to have to give them $10 million.

Senator DeConcini. I understand.

CONSTRUCTION ESTIMATE CHANGES

Mr. Rinkevich. I should also comment, if you would permit me, Mr. Chairman, that our master plan is the document—we focused quite a bit of attention on it here this afternoon—our master plan is the document that in effect is a snapshot in time. It was done 1 year ago and it was submitted just 1 year ago this month. And events are changing.

DEA was something we hadn't anticipated in that master plan. We are also getting into it and discovering that government estimates are different than what architectural and engineering firms are estimating, and costs are in fact escalating.

So I would like you to be aware that there are adjustments that I am afraid we are going to have to be making in coming back to you, the Department, and OMB in regard to specific projects. You have given a specific direction about specific amounts for specific projects, and we want to honor your direction. But at the same time the costs are varying in some cases, some more, some less, so we will keep you informed and ask for your indulgence in that regard.

Senator DeConcini. How many students can you house in the $8 million addition?

Mr. Rinkevich. 228 students.

Senator DeConcini. Do you have any further questions?

TECHNOLOGY ADVANCES

Senator Domenici. One last one. Let me just tell you one of the most frustrating things, I was just telling the chairman on the way over here, we pride ourselves in the national Government of having all these various line agencies that have been involved in law enforcement, and I guess one could write a history of how they evolved. We didn't have them all at once. The FBI came about sometime, and way late in history DEA came along. I assume we had IRS from the beginning.

But as a consequence, the coordination is very, very tough. I think in the area of evolving technology in law enforcement, instead of getting the best of science and technology that is out there being developed, we are fractionalized in terms of each agency having its own little R&D budget. I must give them credit, they have added to that a joint operating group on science and technology.

But it seems to me that maybe FLETC can be a stimulus for the evolution and use of technology. You know what I am speaking of in technology. For instance, Mr. Nummy, those national laboratories have been working on sensors of one type or another, and x-ray machines of one type or another. We may be able to find a machine that we could just wipe up along side of a truck and sniff out cocaine. I know they have a different way to build a sensor which might be used for sensing motion, people walking around.

I mean, the military, through those laboratories, has all kinds of incredible technology, and a little teeny aerial sticks up there in the desert and it costs a little bit and it will only last 1 year, but it tells you where motion is.

I just wonder if there would be any justification for you all to take a look at modern technology and be part of recommending a little bit swifter action in using it? Is this stepping on other people's toes?

Mr. RINKEVICH. I am not sure it is stepping on other people's toes as much as it is—well, let me back up if I could.

We do have a mission in that regard in regard to training technology. The charter that creates the Center and our mission statement has us doing research, development, and evaluation in training methodology and technology. And we are doing that. We are on the threshold of some very exciting things in computer-based training technology that will, we think, be sort of the modern era of the old correspondence course methods of teaching. We will be able to provide information instantaneously.

Director Higgins mentioned the Law Enforcement Television Network. We are collaborating with them with the idea of transmitting to law enforcement agencies all over the country training information through that network.

So we also are doing that with training methodology. There is an organization in the Department of Justice called the National Institute of Justice, which does have a mission and has a budget, and has a capability in the whole area of law enforcement technology, hardware and equipment and that sort of thing.

I would suggest that in advance of any authorizing legislation that would assign such a responsibility to any other agency, that this organization would be the first that one might want to explore ideas with. Where there is a need, I think that there is some activity that can accommodate the need. I happen to serve on one advisory committee, and the Center is part of that, where we take a look at, on a regular basis, equipment evaluation. There are all kinds of vendors creating equipment that they are selling to the police from vests that may not meet standards to protect the officer, to helmets that motorcycle police officers wear, and there is a constant evaluation program for those sorts of needs.

We are involved in that as one of a multiagency advisory group. But there is a program and there is activity there, and I have told you as much as I know about it, other than to say——

Senator DOMENICI. What is it called?

Mr. RINKEVICH. It is called the National Institute of Justice, and it is part of the Department of Justice.

Senator DOMENICI. Thank you very much, Mr. Chairman.

SUBMITTED QUESTIONS

Senator DECONCINI. Mr. Director, we have some other questions we will submit to you. I have nothing else for today.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

FINANCIAL FRAUD INSTITUTE

SENATOR DECONCINI. The largest programmatic increase for FY 1991 is for $1,001,000 to establish a Financial Fraud Institute at FLETC. What was the genesis of this Institute and why is it needed? Will the FFI be located at Glynco?

MR. RINKEVICH. The genesis of the FFI goes back to 1986 when program development efforts were discussed. Financial fraud was recognized as a serious and growing problem confronting Federal investigators. A study committee was convened to coordinate and research these issues, including money laundering, which culminated in the Center's Board of Director's approving the establishment of the FFI within the Office of Special Training and the initiative in the FY 1991 budget request. The FFI is located at Glynco.

SENATOR DECONCINI. How is existing Financial Fraud training being met?

MR. RINKEVICH. All existing financial fraud training is presently being met by the FFI. In addition, with the assistance of a broad-based consultant group, new programs are being developed to meet specific needs. The FFI's charter includes all of the duties and responsibilities of its predecessor organization at the FLETC known as the Computer and Economic Crime Division.

SENATOR DECONCINI. Was this Institute proposed for direct support of the Financial Crimes Enforcement Network, otherwise known as FINCEN?

MR. RINKEVICH. The FFI predated the FINCEN. However, the FFI is developing a strong working relationship with the FINCEN and is prepared to support it. The FFI would facilitate training development and delivery to meet the needs of the FINCEN.

SENATOR DECONCINI. The Secret Service has extensive responsibility for financial fraud in the area of computers and credit cards. Will Secret Service personnel be making use of this Institute in support of its financial fraud investigations?

MR. RINKEVICH. The Secret Service participates as both a trainee and trainer within the FFI. They send students to programs taught in the FFI and support various courses within these programs by providing guest instructors. They also support training colloquies and program development workshops sponsored by the FFI.

SENATOR DECONCINI. Will this Institute be needed if FINCEN is not approved or would disapproval of FINCEN have any impact on the justification for the Financial Fraud Institute?

MR. RINKEVICH. Approval or disapproval of the FINCEN will not have an impact on the justification for the FFI. The participating agencies' needs for training in the area of financial fraud investigations clearly justify the need for the FFI.

SENATOR DECONCINI. What are the projected student training demands for the Institute in FY 1991? Can you please provide the Committee with your student training estimates by agency?

MR. RINKEVICH. The FFI presently conducts four Center Advanced programs that are totally devoted to financial fraud. The FY 1991 projections for these are as follows:

AGENCY	STUDENTS
Forest Service	22
Office of Export Enforcement	16
National Institutes of Health	1
Bureau of Indian Affairs	2
National Park Service	14
Fish & Wildlife Service	8
Marshals Service	24
Bureau of Diplomatic Security	8
Coast Guard	14
Alcohol, Tobacco and Firearms	33
Bureau of Engraving and Printing	7
Internal Revenue Service	34
Customs Service	25
Naval Investigative Service	10
Agriculture OIG	15
Commerce OIG	2
Defense OIG	22
Education OIG	3
Energy OIG	2
Environmental Protection Agency OIG	18
General Services Administration OIG	9
Health and Human Services OIG	5
Housing and Urban Development OIG	3
Interior OIG	8
Labor OIG	2
Railroad Retirement Board OIG	1
State OIG	7
Transportation OIG	5
Capitol Police	2
Central Intelligence Agency - Security	5
Federal Emergency Management Agency-OIG	2
State and Local	56
Space Available (various)	303
Total	688

In addition, the FFI conducts a three week Basic training program for the Inspectors' General offices. There are 124 students projected to attend this program. The Criminal Investigator program, which is a 43 day program, has a one-half day training course conducted by the FFI. There are 1,595 students projected to attend this program.

The FFI also conducts other courses, varying in lengths, as part of Agency Advanced programs.

MASTER PLAN CONSTRUCTION

SENATOR DECONCINI. In FY 1990, the Committee provided $15,000,000 in construction funds for FLETC to undertake a number of Phase I and II projects included in your Master Plan. What is the status of each of these projects and when will they be completed?

MR. RINKEVICH. This appropriation funded three projects at Glynco: dormitory, firearms expansion, and relocation of the explosives range; one project at Marana; and three projects at Artesia. The contractor is developing the 65% architect and engineering design on the dormitory. Construction is scheduled to begin in April, 1991, with completion in April, 1992. The Firearms expansion project is in the award stage for a contractor to perform the architectural and engineering design. Construction is scheduled to start in March, 1992 with completion in March, 1993. The Relocation of the Explosives Range is being reconsidered because of environmental issues. Additionally, we have consulted with the Bureau of Alcohol, Tobacco and Firearms, the primary user of the Explosives Range, and have tentatively concluded that it is properly placed in its existing location. When the final decision is made on this issue, we will notify the Committees.

The Driver Training and Practical Exercise Projects at Marana are currently being advertised for award. The construction should begin in June, 1990 with completion scheduled for September, 1990.

There are also three projects at Artesia. The Physical Training Facility construction is in the procurement stage and will be advertised for award shortly. Construction should start in September, 1990 with completion scheduled in July, 1991. The Driver Training/Firearms Facility and the Firearms Ranges are in the development of the scope of work stage. Until this scope is finished, we do not have a schedule for construction and completion.

SENATOR DECONCINI. In FY 1991, you are requesting $18,735,000 for Phase I and II construction projects. How were the requests for these projects determined and where will this place you vis-a-vis implementation of the Master Plan?

MR. RINKEVICH. The Master Plan document submitted to you last year listed the projects in priority order. We are requesting funding of them in that order, keeping in mind the need to keep the request reasonable in these days of large deficits.

SENATOR DECONCINI. What is your full construction capability for Master Plan development in FY 1991? Can you provide a listing of projects in all phases of your Master Plan, by amount, which you have the capability to undertake if additional funds were provided by the Congress in FY 1991?

MR. RINKEVICH. The Center could undertake all remaining projects in the Master Plan if additional resources are provided. In effect, we could start the process, i.e., the award of architectural and engineering contracts to determine the specifications for construction. The actual construction probably would not start in FY 1991. The unfunded projects in Phase II and III are as follows:

MASTER PLAN PROJECT	ESTIMATED AMOUNT
Glynco:	
Renovate Building 46	$ 300,000
Truck Entrance Gatehouse	25,000
Dormitory #2	8,225,000
Classroom Building	4,750,000
Renovate Building 260	400,000
Relocate Procurement	600,000
Library/Learning Resources Center	3,500,000
Shotgun Relocation/Expansion	500,000
Practical Exercise Training Facility	2,900,000
Dormitory #3	8,750,000
Renovate Building 90	900,000
Classroom Building	7,825,000
Warehouse Infill/Expansion	2,700,000
New Athletic Fields	600,000
Renovate Building 63 and 65	2,600,000
Main Gate Registration	750,000
Main Gate Visitors Center	75,000
Glynco Subtotal	$45,400,000
Artesia:	
Dormitory (Additional Wing)	$ 2,125,000
Grand Total	$47,525,000

In addition to the construction funds, additional FTE and related costs would need to be provided. These resources would provide contracting, engineering and support positions to actually perform and manage the work. The estimate is twenty-three FTE and $1.2 million in compensation and related costs.

OVERVIEW OF STUDENT TRAINING

SENATOR DECONCINI. With the exception of other Basic training categories your overall Basic training for FY 1991 is expected to decrease from the Fiscal Year 1990 estimates. Is the reason for this reduction based on lack of training capacity at FLETC or are the training numbers being driven by the expected decreases in law enforcement agency training requirements?

MR. RINKEVICH. The training capacity of the Center is increasing as we implement the Master Plan and the Artesia facility is fully brought on-line. As you know, our projected training workload is based on the estimates provided to us by the participating organizations. It has been the history of the Center that, as we get closer to the Fiscal Year in question, the projections increase. This is because the participating organizations have a better handle on their expected budgets, including new hires, training backlogs, etc. As a matter of fact, the projections provided in November 1989 for FY 1991 reflect an increase of 1,459 students and 3,465 student-weeks of training over the level in the FY 1991 Congressional submission. It is true, however, that a number of our agencies are experiencing budget adjustments which may translate into numbers of students that are different from earlier projections. We estimate that the total number of students will remain at or higher than projected levels; but that the mix of Basic versus Advanced students will change in favor of more Advanced students.

SENATOR DECONCINI. Your Center Advanced training requirements are expected to decrease in FY 1991 while the Agency Advanced training and State and Local training will stay about the same. What is the reason for the disparity between the Center training requirements versus Agency training requirements?

MR. RINKEVICH. The same situation described above concerning Basic training applies to Center Advanced training. The Projections received in November, 1989 reflect significant increases over the previous projections and they should increase even more when the final FY 1991 projections are received in the spring of 1990.

SENATOR DECONCINI. Is this trend expected to continue? If so, could you accommodate advanced training of agencies which are not now using FLETC for training purposes? If so, what will be your surplus capacity in both Basic and Center Advanced training in FY 1991?

MR. RINKEVICH. As mentioned earlier, the trend seems to be a change in the mix of training, i.e., the amount of Basic and Advanced conducted in a given year. The total amount of training should remain relatively stable. The total on-site residental capacity of the three facilities is 1,723 (Glynco - 1,436, Artesia - 150, Marana - 137). The FY 1989 average resident student population was 1,822 and Artesia was not on-line, so we have been operating above capacity. It is clear, therefore, that we do not have surplus capacity. In regard to absorbing additional Advanced training, the key would be what, if any, special facilities were required. If the training required a classroom only, then we could accommodate more training because we have more classrooms than housing capacity. If it requires firearms training, driver training, etc., then we would have to defer until the Master Plan projects are completed or develop innovative scheduling/utilization strategies for the interim period. Such strategies could not be utilized for long durations because of excessive wear on the facilities and lack of adequate maintenance time.

ARTESIA FACILITY

SENATOR DECONCINI. You are proposing an increase of $225,000 for Plant Operations at Artesia, New Mexico in FY 1991. How was the Artesia Plant Operations budget arrived at for FY 1991 and will this amount be sufficient to cover operational costs in the next fiscal year?

MR. RINKEVICH. Plant Operations consist of overhead-type costs such as utilities, telecommunications, grounds maintenance and security. The FY 1991 amount was derived by estimating what these costs would be in FY 1991. The amount requested should be sufficient to cover the expenses in FY 1991.

SENATOR DECONCINI. I understand that the students training at Artesia will increase to an estimated 2,920 in Fiscal Year 1991, surpassing the number of students trained at Marana in both FY 1990 and 1991. What is the reason for the increase at Artesia over the amount projected?

MR. RINKEVICH. The increase at Artesia relates primarily to the Immigration and Naturalization Service (INS). FY 1991 will be the first full year of training at Artesia for INS. FY 1990 classes for INS were begun during January 1990, and they have a large backlog of Advanced training to be conducted.

In addition, the Advanced classes at Artesia are generally of short duration (1-3 weeks) whereas the major programs at Marana for the Bureau of Indian Affairs and the Federal Aviation Administration are longer in duration. Thus, there may be more students at Artesia but the student-weeks of training at both locations are closer in number. Also, later projections should increase training at Marana during FY 1991 over that which is currently projected.

SENATOR DECONCINI. Please provide a comparison of the number of students training at Marana in Fiscal Year 1990 and 1991 compared with Artesia by agency.

MR. RINKEVICH. The data, based on agency projections received in June, 1989, is as follows:

	FY 1990 PROJECTED STUDENTS	FY 1991 PROJECTED STUDENTS
Marana:		
Forest Service	96	100
Bureau of Indian Affairs	312	276
Bureau of Land Management	123	130
National Park Service	24	24
Fish & Wildlife Service	415	275
Imm. & Naturalization Service	0	312
Bureau of Diplomatic Security	150	0
Fed. Aviation Administration	320	320
Customs Service	750	576
State and Local	24	24
Marana Total	2,214	2,037
Artesia:		
Imm. & Naturalization Service	672	2,890
State and Local	30	30
Artesia Total	702	2,920

MARANA FACILITY

SENATOR DECONCINI. Total reimbursable funding for the Marana facility is expected to increase from $520,000 in FY 1990 to an estimated $760,000 in FY 1991. At the same time, appropriated funds for Marana are expected to decline by $200,000 over this same period. What puzzles me is that the number of Advanced students and State and Local students are expected to also decline significantly. Why are the FY 1991 reimbursable funds increasing, when reimbursable student training is expected to decline in FY 1991?
facility, in July 1989. This new lease included significant cost increases, the first such increase since the Center started training at Marana in FY 1985. This increase, which went into effect in FY 1990, came about much too late in the FY 1990 budget process for the agencies that train at Marana to budget and plan for the increased costs. The Congress provided approximately $220 thousand in the FY 1990 Appropriations Act to off-set these increased operating expenses at Marana. The agencies have had sufficient time to budget and plan for this increased cost of training for FY 1991; therefore, the Center's direct appropriation is decreased accordingly and the expected reimbursables increase. Also, there are built-in increases in the lease and, coupled with

normal inflation, the reimbursables increase even though the workload is expected to decrease.

SENATOR DECONCINI. Do you expect this trend to continue and, if so, what are the reasons for declining student training at Marana?

MR. RINKEVICH. The Marana operation has experienced a shift in workload primarily related to the activities of the U.S. Customs Service. They are still conducting classes at Marana, but the classes are smaller and the training is of shorter duration. However, other agencies such as the U.S. Forest Service, the Federal Aviation Administration and the Bureau of Indian Affairs are currently in the process of expanding their training activities and the downward trend should reverse as these plans are implemented. In addition, other training initiatives at Marana related to State and Local training programs are being discussed at the present time.

SENATOR DECONCINI. In FY 1990, the Committee included instructions to FLETC to explore all alternatives to the present lease situation at the Marana facility. What is the status of this review?

MR. RINKEVICH. As your are aware, the Center has a three-year lease, with two option years, with Evergreen Air Center. We are in the first year of this lease. We intend to conduct a study, as directed, of the various options but our plans are to begin it in FY 1991 with completion scheduled for late FY 1991 or early FY 1992.

SENATOR DECONCINI. When do you expect to have some definite recommendations for the Committee?

MR. RINKEVICH. We will coordinate this study with the Committee staff. Definite recommendations will be made in the early part of FY 1992.

SENATOR DECONCINI. In FY 1990, the Committee provided an additional $300,000 for the construction of a new driver training range at the Marana facility. What is the status of this project and, if not yet completed, what is your estimated date of completion?

MR. RINKEVICH. This project is currently being advertised for award. The construction should begin in June, 1990 and be completed in September, 1990.

SENATOR DECONCINI. I notice that none of the projects contained in the Master Plan for Marana are included in the FY 1991 budget request. Can you explain why no funds are being requested for Master Plan development at Marana in the next Fiscal Year?

MR. RINKEVICH. We requested, at the Department of Treasury level, a FY 1990 Supplemental that would have fully funded all of the Master Plan projects at Marana. The Department decided that it would be better to wait and see what the results of the negotiations with Evergreen Air Center on a new lease would be before requesting additional funds for Marana. Subsequent events, i.e., the downturn in training projections and the Committee's guidance to reevaluate the Marana lease arrangement, has proven this to be a wise decision. After the evaluation is completed and decisions are agreed upon, then we will proceed with the Master Plan construction plans, if deemed appropriate.

SENATOR DECONCINI. What is the most urgent capital improvement contained in the Master Plan for Marana which has not yet been funded?

MR. RINKEVICH. The Physical Training Facility project, which includes a gymnasium and running track, would be the most critically needed Master Plan project in light of the training requests we are presently receiving at Marana.

OTHER TRAINING REQUIREMENTS

SENATOR DECONCINI. Because of the continuing controversy over drug education, which strategies work and which do not, has FLETC given any consideration to the development of a strategic training model which could help educators, community organizations, or other groups better identify and carry out preventive drug education activities? If so, how do you think FLETC could assist in the drug prevention effort and what would it cost to carry out such training for State and Local individuals?

MR. RINKEVICH. The Center proposed to the Department of Treasury an initiative for FY 1991 for Drug Demand Reduction Training. This program was based upon a current program offered jointly by the Center and the Department of Justice's Office of Juvenile Justice, specifically the School Administrators for Effective Police Operations Leading to Children and Youth Services (SAFE POLICY). The Drug Demand Reduction Training program proposed the development of a series of seminars to bring community leaders together with law enforcement executives facilitating the planning of combined, coordinated responses to the individual community's drug abuse/demand reduction problems. This same approach was utilized in the SAFE POLICY program and has proven to be very successful. This effort would mobilize all community leaders and could become a very valuable tool in reducing the drug demand. As requested to the Department, this program would require four FTE and approximately $900 thousand to implement and begin training in FY 1991.

PAY ABSORPTIONS/SEQUESTER

SENATOR DECONCINI. How did FLETC accommodate the increased costs for pay and the sequester in Fiscal Year 1990?

MR. RINKEVICH. The Center absorbed approximately $390 thousand associated with the recent 3.6% pay raise and $501 thousand related to the Gramm-Rudman-Hollings sequester. These absorptions were taken across the board in all programs, projects and activities.

SENATOR DECONCINI. Which activities proposed for FY 1990 were curtailed as a result of both pay absorption and sequestration?

MR. RINKEVICH. The Law Enforcement Training activity, which is the Center's largest activity, was reduced the most in order to meet the pay absorption and sequestration. But, because the participating organizations that we train have to absorb these same items in their respective budgets, the training workload has decreased from the original projections and we can still fund 100% of the projected Basic training requirements. The Plant Operations and the State and Local Training activities were also reduced, mainly in contractural services and equipment purchases. These will either be reduced in scope, delayed or eliminated.

SENATOR DECONCINI. In FY 1991, your budget request includes $1,128,000 for maintaining current levels. Your justification indicates that $516,000 must be absorbed through reductions in Center programs. What is the impact of the proposed reduction on Law Enforcement Training, Plant Operations, and State and Local Training?

MR. RINKEVICH. In the area of Law Enforcement Training, the reduction amounted to $258 thousand. In effect, the number of Basic students and student-weeks that can be funded was reduced. However, as indicated earlier, even with this reduction, we can still fund 100% of the participating organizations requests. In the Plant Operations activity, the reduction amounted to $247 thousand. This is spread over services, supplies and equipment purchases. In effect, contractual services will be decreased or eliminated and the purchase of supplies and equipment will have to be reduced, delayed or eliminated. In the State and Local Training activity, the reduction amounted to $11 thousand. This reduces the funds available for subsidizing the tuition of State and Local students.

ADVANCED FIREARMS TRAINING REQUIREMENTS

SENATOR DECONCINI. Your Master Plan includes $7.6 million for Indoor and Outdoor Firearms Specialties at your Glynco, Georgia facility. I understand that this project will fill the need for Advanced Firearms Training facilities for agencies like Customs. How much of the $7.6 million for the Advanced Firearms Training requirement has been funded to date? How much remains to be funded and when do you expect to have completed this project and allow agencies to start utilizing these training facilities?

MR. RINKEVICH. Through FY 1990, a total of $7,542 thousand has been appropriated for Firearms Expansion. The final $55 thousand needed to fully fund this project is included in the FY 1991 request. The Indoor Firearms project is scheduled to be completed February, 1992 and the Outdoor Firearms in March, 1993. However, I must point out that while our Master Plan, as submitted earlier, acknowledged the Advanced Firearms training needs - principally the U.S. Customs Service - we were unable to finalize the entire concept of a training facility to address those needs. This planned facility is referred to as a "Tactical Response Range". We are in the last stages of finalizing that concept and will soon be awarding an architectural and engineering contract to complete it. At that time, I will be better able to identify the total estimated cost of such a facility to serve all of our agencies' Advanced Firearms training needs. Candidly, that cost likely will be several million additional dollars.

SENATOR DECONCINI. Will your plans for Advanced Firearms Training be sufficient to accommodate the full requirements of the law enforcement agencies who participate in FLETC? If not, what additional requirement do these agencies have that will not be fully met?

MR. RINKEVICH. The existing plans for Advanced Firearms Training will not fully meet the requirements of the Center and the participating organizations. The rifle range will require some additional features, including the addition of a "running man". Also the Tactical Response Range mentioned earlier is needed to fully meet the participating organizations' requirements. The existing $7.6 million allocated to Firearms Expansion does include monies that will allow for the conceptual design of this range but not construct it. As soon as the concept work is complete, I will inform the Committee concerning the projected costs.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

FTE

SENATOR DOMENICI. The fiscal year 1990 Appropriations Act required the Center to hire up to and maintain an average of not less than 425 direct full-time equivalent (FTE) positions for Fiscal Year 1990. Is the Center complying with this legislated staffing level?

MR. RINKEVICH. Yes, we are. Based on the actual utilization rate to date, the FTE is projected to be 426.

SENATOR DOMENICI. Of the total authorized 425 full-time equivalent positions for the Center, how many are allocated to each of your training sites, i.e., Glynco, Marana, and Artesia?

MR. RINKEVICH. A total of 389 are assigned to Glynco, 8 to Marana and 28 to Artesia.

SENATOR DOMENICI. Do you expect these FTE allocations to change in Fiscal Year 1991, given the fact that you are again proposing a total full-time equivalent position level of 425?

MR. RINKEVICH. At this time, we are working with the Department of the Treasury for additional FTE to support the Financial Fraud Institute and the Master Plan construction projects. Final decisions regarding FTE assignments will be made when actual workload levels are determined at the start of Fiscal Year 1991.

FY 1991 REQUEST

SENATOR DOMENICI. The Fiscal Year 1991 request for the Center's "Salaries and Expenses" account includes an increase of $1,001,000 to fund a Financial Fraud Institute.

Which of your participating agencies have requested enhanced training in areas to be covered by the Financial Fraud Institute and are the impetus for this proposal? Please specify the training topics and the number of student-weeks of training in each requested by their agencies.

MR. RINKEVICH. The Center has provided the impetus for the Financial Fraud Institute (FFI), not the participating agencies. The FFI has as its starting point all of the duties and responsibilities of a predecessor organization within the Center known as the Computer and Economic Crime Division. Coordination and announcement of the FFI is currently underway and we fully expect the participating agencies to join the

Center in providing the support to continue the development and maturation process. The FFI presently conducts four Center Advanced programs that are totally devoted to financial fraud. The FY 1991 student-week projections by agency and training topics are as follows:

AGENCY	ADVANCED MICRO COMPUTER	BASIC MICRO COMPUTER	INVESTIGATIONS IN AN AUTOMATED ENVIRONMENT	WHITE COLLAR CRIME
Forest Service	0	4	6	30
Office of Export Enforcement	4	8	8	0
National Institutes of Health	0	0	2	0
Bureau of Indian Affairs	0	0	0	4
National Park Service	4	4	4	8
Fish & Wildlife Service	0	0	0	16
Marshals Service	10	10	0	8
Bureau of Diplomatic Security	0	0	0	16
Coast Guard	0	0	16	12
Alcohol, Tobacco, & Firearms	3	5	0	50
Bureau of Engraving & Printing	2	2	2	4
Internal Revenue Service	8	0	16	36
Customs Service	6	14	0	10
Naval Investigative Service	0	0	20	0
Agriculture OIG	5	0	20	0
Commerce OIG	0	0	4	0
Defense OIG	0	0	40	4
Education OIG	0	0	6	0
Energy OIG	0	0	0	4
Environmental Protection Agency OIG	6	6	12	0
General Services Administration OIG	3	0	8	4
Health & Human Services OIG	2	0	6	0
Housing & Urban Development OIG	0	0	6	0
Interior OIG	0	0	10	6
Labor OIG	0	0	4	0
State OIG	0	5	4	0
Transportation OIG	0	0	10	0
Capitol Police	0	0	0	4
Railroad Retirement Board OIG	0	0	2	0
Environmental Protection Agency - Security Division	2	2	2	0
Federal Emergency Management Agency - OIG	0	0	4	0
State & Local	14	10	64	0
Space Available (various)	8	66	130	328
Total	77	136	406	544

In addition, the FFI conducts a three week Basic training program for the many Inspectors' General offices. There are 372 student-weeks projected in this program. The Criminal Investigator program, which is a 43 day program, has a one-half day training course conducted by the FFI. There are 1,595 students projected to attend this program, which results in 20 student-weeks of training. The FFI also conducts other courses, varying in lengths, as part of Agency Advanced programs.

SENATOR DOMENICI. No additional full-time equivalent positions are associated with the increased funding proposed for the Financial Fraud Institute. Why is this the case?

MR. RINKEVICH. The Center requested three additional FTE. They were not approved.

SENATOR DOMENICI. Would you please explain the amount requested, by object classification, for the Financial Fraud Institute.

MR. RINKEVICH. The request for travel is $10 thousand. This is required to support program development, conferences and other meetings, and staff travel. The request for communications is for $101 thousand. This is required to support an Electronic Bulletin Board, which will provide the latest information on training and related issues. The request for printing is for $14 thousand. This is required to provide marketing materials. The request for other services is $220 thousand. This is required for contractual services, mainly in the areas of computer programming assistance. The request for materials and supplies is $136 thousand. This is required to support the effort in terms of computer-related supplies, textbooks, training-related supplies, etc. The final request, for equipment, is $520 thousand. This is required to purchase new computers on which much of the training will be conducted.

SENATOR DOMENICI. The budget justification indicates that the Fiscal Year 1991 request includes only $702,000 of the total $1,218,000 required to maintain current levels. The unfunded $516,000 is to be absorbed in the areas of Basic Training, Plant Operations and State and Local Training. What impact will these unfunded cost absorptions have in each of these areas?

MR. RINKEVICH. In the area of Law Enforcement Training, the reduction amounted to $258 thousand. In effect, the number of Basic students and student-weeks that can be funded was reduced. However, as indicated earlier, even with this reduction, we can still fund 100% of the participating organizations' requests. In the Plant Operations activity, the reduction amounted to $247 thousand. This was spread over services, supplies and equipment. In effect, contractual services will be decreased or eliminated, and the purchase of supplies and equipment will have to be postponed. In the State and Local Training activity, the reduction amounted to $11 thousand. This reduces the funds available for subsidizing the tuition of State and Local students.

WORKLOAD

SENATOR DOMENICI. The budget justification presents the percent of the Center's funded and reimbursable training represented by Basic and Advanced training in each of Fiscal Years 1989, 1990 and 1991. Does this Basic training include both training directly funded as well as the space-available Basic training provided on a reimbursable basis? If not, what percent of the Center's workload would be represented by Basic training in each of Fiscal Years 1989, 1990 and 1991 if space-available Basic training provided on a reimbursable basis was included in this calculation?

MR. RINKEVICH. The training projections presented in the Selected Workload Data Section does include both direct funded and space-available.

SENATOR DOMENICI. The Center's activities and workload data presented in the budget justification for each of Fiscal Years 1989, 1990 and 1991 indicates that Basic training requirements are declining, while Advanced and State and Local training requirements are increasing.

Do you expect this trend to continue? If so, what will the Center need to accommodate this shift in the mix of training it provides?

MR. RINKEVICH. During the past several years, both Congressional and Presidental initiatives have increased the Basic training workload. FY 1989 saw a new all-time high in the amount of Basic training conducted at the Center. FY 1990 and 1991 Basic training will probably be less than what was offered in FY 1989, especially if there are no new initiatives. The Center will be able to then address the backlog of Advanced and State and Local training. In general, more facilities and support is required to conduct Basic training than Advanced or State and Local training. Therefore, we will not need additional facilities beyond those identified in the Master Plan to accommodate this potential shift in the mix of training, unless some of the Advanced training requires specialized facilities that are not currently available or planned, i.e., special tactical response ranges for firearms training.

SENATOR DOMENICI. The Center's workload projections have always been based on input received from its participating organizations twice a year. How accurate have these projections been in the past and what problems have been created for the Center when these projections have been substantially "off the mark"? Have you been able to fill vacant space available for training when this has been the case?

MR. RINKEVICH. The projections in the past have not been very accurate. The major problem has been in the area of new initiatives. The participating organizations can not predict, with accuracy, the new agent or officer positions that are authorized because of Congressional initiatives. Compounding this problem is the fact that the budget submission begins approximately eighteen months prior to the start of the Fiscal Year.

The most serious problem encountered by the Center when the projections have been off the mark is that many times we do not have the money to fund all of the Basic training that is requested. Since the Center is expected to fund 100% of the Basic training, the participating organizations are not funded for this cost. When the actual need for Basic training exceeds the projections, and thus, the funding appropriated to the Center, neither the Center nor the participating agency has the money to conduct the training. There have been two recent developments that should go a long way in alleviating this problem. Number one, a couple of years ago, with the concurrence of the Department of the Treasury and the Office of Management and Budget, we started applying a historical demand growth factor to the participating organizations' projections. Essentially, we have analyzed the most current five-year period to determine what the requests were at the time the budget development cycle commences and then what actual training was conducted. These figures are compared to form a ratio or a historical demand growth factor. The most current five-year period, FY 1985 through 1989, reflects that actual training conducted was 42% greater than the training requested when the budget cycle started. Therefore, for the FY 1991 budget, the participating organizations' projections were inflated by this percentage to allow for the historical demand growth. Number two, last year this Committee requested that the Center keep it informed of changes in the semi-annual projections. For the past several years, the Center has been operating beyond its capacity. Space made available because of training cancellations has been absorbed by space-available agencies, Advanced training, or the cancellations have eliminated the need for overtime or more expensive motel space to house the students.

SENATOR DOMENICI. The budget justification indicates that the Center will meet 100% of participating organizations' requests for Basic training in Fiscal Years 1990 and 1991. What percent of participating organizations' requests for space-available Basic training and Advanced training do you expect to meet in each of Fiscal Years 1990 and 1991?

MR. RINKEVICH. The Center's goal is to meet 100% of all training requests. Of course, this is not always possible. The amount of space-available Basic and Advanced training that is conducted is dependent upon how much of the Basic training comes to fruition. The Center is prepared to meet 100% of the Basic training requirements of the participating organizations. Any excess capacity after meeting this demand, can and will be devoted to space-available and Advanced training. A realistic estimate of the amount that we expect to meet in each of Fiscal Years 1990 and 1991 would be about 75%. This is a rough estimate because we do not routinely get projections from agencies who train on a space available basis only.

SENATOR DOMENICI. What percent of the requests for State and Local training was the Center able to meet in Fiscal Year 1989? What percent do you expect to meet in each of Fiscal Years 1990 and 1991?

MR. RINKEVICH. We estimate that 60% to 70% of the State and Local applicants were trained in FY 1989. However, in several high demand programs, such as Driver Instructor, Law Enforcement Spanish, Undercover Investigative Techniques and Advanced Explosives training programs, only 20 to 25% of the applicants are able to be trained. These programs all require the use of specialized facilities and a large cadre of instructors, therefore scheduling of additional classes with the current available resources is not possible. We expect, at a minimum, to train the FY 1989 rate of 60% to 70% of the applicants trained in both FY 1990 and 1991.

SENATOR DOMENICI. What is the number of students, student-weeks of training and average resident student population related to Basic, Advanced and State and Local training expected to be provided at each of the Center's training sites in each of Fiscal Years 1990 and 1991?

MR. RINKEVICH. The following chart provides that data:

	FY 1990			FY 1991		
	STUDENTS	STU-WEEKS	ARSP	STUDENTS	STU-WEEKS	ARSP
GLYNCO:						
Basic	11,811	74,764	1,438	11,566	66,971	1,288
Advanced	10,776	18,428	354	11,798	21,970	423
State & Local	2,600	3,334	64	2,608	3,342	64
Subtotal	25,187	96,526	1,856	25,972	92,283	1,775
ARTESIA:						
Basic	0	0	0	0	0	0
Advanced	672	1,516	29	2,890	5,798	111

State & Local	30	30	1	30	30	1
Subtotal	702	1,546	30	2,920	5,828	112
MARANA:						
Basic	100	1,100	21	100	1,100	21
Advanced	2,190	4,461	86	2,013	3,551	68
State & Local	24	48	1	24	48	1
Subtotal	2,314	5,609	108	2,137	4,699	90
EXPORT						
Basic	0	0	0	0	0	0
Advanced	0	0	0	0	0	0
State & Local	1,145	1,205	23	1,145	1,205	23
Subtotal	1,145	1,205	23	1,145	1,205	23
TOTAL:						
Basic	11,911	75,864	1,459	11,666	68,071	1,309
Advanced	13,638	24,405	469	16,701	31,319	602
State & Local	3,799	4,617	89	3,807	4,625	89
GRAND TOTAL:	29,348	104,886	2,017	32,174	104,015	2,000

SENATOR DOMENICI. What training is being provided by FLETC off-site? How do you determine when training should be provided on an "export basis" at other sites throughout the country? What sites do you use?

MR. RINKEVICH. The vast majority of the training being conducted off-site is State and Local training. The main criteria for a program to be conducted off-Center is that it does not require special facilities and will be a cost savings, normally in per diem or travel, that accrues to the Government by conducting the training off-Center. Sites with suitable accommodations and near large concentrations of participants are then selected by our staff.

ABSORPTIONS

SENATOR DOMENICI. For Fiscal Year 1990, $501,000 in funds appropriated for the Center's "Salaries and Expenses" account were sequestered under P.L. 99-177. What was the amount, if any, that the Center was required to absorb in Fiscal Year 1990 for unfunded mandatory pay and benefit increases? What impact has absorption of these costs and the funding sequester had on the Center's activities in Fiscal Year 1990?

MR. RINKEVICH. The Center had to absorb approximately $390 thousand associated with the recent 3.6% pay raise. The Center absorbed the sequester and the pay raise across the board. That is, we reduced all budget activities accordingly. The largest absorption was in the Law Enforcement Training activity and the Direct Materials Support subactivity. Even with this absorption though, we will still be able to fund 100%

of the participating organizations' Basic training requests because they suffered the same absorption that we did and the total requests for training decreased as a result. We reduced the Plant Operations and State and Local Training activities also, primarily in the areas of contracts and equipment. The major impact is that necessary contractual services are reduced and required equipment purchases have to be delayed.

SENATOR DOMENICI. Did the Center's original Fiscal Year 1991 "Salaries and Expenses" request to Treasury differ with the President's Fiscal Year 1991 budget request? If so, please explain in detail how it differed.

MR. RINKEVICH. The budget request to the Department of the Treasury did differ from the request submitted to the Congress. The request to Treasury included several initiatives that were not included in the Congressional submissions. These include: equipment ($1,069 thousand), full-time equivalent positions (33 FTE and $2,633 thousand), drug demand reduction training (4 FTE and $877 thousand), antiterrorism advanced training programs (2 FTE and $183 thousand), enhanced physical security and safety contract ($195 thousand), and driver training vehicle preparation contract ($175 thousand).

MASTER PLAN

SENATOR DOMENICI. The Fiscal Year 1990 Appropriations Act provides $11.520 million to initiate the following Master Plan construction projects at Glynco, Marana and Artesia:

Glynco:	Dormitory	$6,400,000
	Firearms Expansion	$3,714,000
	Relocate Explosives Range	$ 481,000
Marana:	Driver Training & Practical Exercise Area	$ 300,000
Artesia:	Physical Training Facility	$ 250,000
	Driver Training/Firearms Facility	$ 200,000
	Firearms Ranges	$ 175,000

What is the current schedule for each of these projects?

MR. RINKEVICH. The contractor is developing the 65% architect and engineering design on the dormitory. Construction is scheduled to begin in April, 1991 with completion in April, 1992. The Firearms Expansion is in the award stage for a contractor to perform the architect and engineering design. Construction is scheduled to start in March, 1992 with completion in March, 1993.

The relocation of the Explosives Range project is being reconsidered because of environmental issues and we have consulted with the Bureau of Alcohol, Tobacco and Firearms, the primary user of the Explosives Range, and have tentatively concluded that the range is properly placed in its existing location. When the final decision is made, we will notify the Committees.

The Driver Training and Practical Exercise Areas at Marana are currently being advertised for award. The construction should begin in June, 1990 with completion in September, 1990.

The Physical Training Facility at Artesia is in the procurement stage and will be advertised for award shortly. Construction should start in September, 1990 with completion in July, 1991.

The Driver Training/Firearms Facility and the Firearms Ranges at Artesia are in the development of the scope of work stage. Until this scope is finished, we do not have a schedule for construction and completion.

ARTESIA

SENATOR DOMENICI. Last year, you indicated that the Center was attempting to acquire a tract of land from the BLM to construct a driver training range for the Artesia facility. What progress have you made on this land acquisition?

MR. RINKEVICH. We acquired an exclusive right of entry from the Bureau of Land Management for a one-quarter section that is located three and one-half miles from the facility. This land will be the site of an interim firearms range. We are still considering a larger plot of land approximately seven miles from the facility for the permanent firing and driving ranges. We are in the process of conducting a survey of the participating organizations to evaluate the needs for such a site. In the interim we have constructed a driving range at Artesia's main campus. Additionally, we will set up temporary courses on the facility or at the local airport, depending on the training need.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

STATE AND LOCAL TRAINING

SENATOR D'AMATO. Do you have a backlog in accommodating requests for State and Local law enforcement training? How do you plan to deal with this problem?

MR. RINKEVICH. We do have backlogs of applications in a number of State and Local programs. There are several ways in which we are dealing with this problem, including: first, during the periods when Federal training completely fills Center facilities, we contract with area motels for lodging and feeding of students; second, we regularly assess the program offerings and discontinue those that are not in great demand, therefore creating space for the programs with backlogs; third, if Federal training decreases and space becomes available at the Center, we are prepared to increase the offerings for State and Local; fourth, several of the programs being offered are easily exportable, thus we teach the vast majority of them at sites throughout the country; and fifth, we are currently developing procedures for the establishment of a liaison position to coordinate State and Local training at Artesia and Marana. We have conducted State and Local training at Artesia and Marana in the past, but this initiative would greatly increase these program offerings at the western sites.

ANTITERRORISM TRAINING

SENATOR D'AMATO. What are you doing in the antiterrorism area? What types of Basic, Specialized and Advanced training do you provide? Are the agents trained in the detection of bombs and explosives? Was a pilot project in Maritime Antiterrorism and Seaport Security undertaken in FY 1990 as planned? Which law enforcement agencies participate in your overall antiterrorism and physical security training program?

MR. RINKEVICH. We are doing quite a bit in the antiterrorism training area. Antiterrorism is part of all of the Basic programs conducted at the Center. Depending upon the Basic program and the participating organization's need for antiterrorism training, it varies from one-half day to four days of training. In the Center Advanced area, we now offer four different programs: Antiterrorism Management, Antiterrorism Contingency Planning, Physical Security for Managers and Advanced Physical Security. The first three programs are three days in length and the last one is eight days long. In the State and Local area we offer two programs: First Response and Seaport Security/ Antiterrorism. They are five and eight days long, respectively. Also, in the Agency Advanced area, we are doing antiterrorism training on an as-requested basis and this training varies in length depending upon the requesting agency's need.

All of our antiterrorism training includes training in the detection of bombs and explosives. While the specific training varies from program to program, most officers are trained in the following subjects: high and low order explosives, effects of explosive detonation, explosive firing trains, improvised explosive devices, and bomb search and responsive procedures. They are not trained in disarming or disposal of explosives, but are provided referrals for assistance.

The pilot for Maritime Antiterrorism and Seaport Security has been conducted. It resulted in the finalization of the Seaport Security/Antiterrorism program mentioned earlier.

Many agencies participate in the antiterrorism and physical security training programs. In FY 1989, students from a total of nineteen different participating organizations attended this training. The major agencies include: General Services Administration-Physical Security, Internal Revenue Service, U. S. Coast Guard, Central Intelligence Agency-Office of Security and the U. S. Mint. In FY 1990 and 1991, even more agencies have projected and requested antiterrorism and physical security training.

ADVANCED TRAINING

SENATOR D'AMATO. Do you have a deferral problem in your ability to provide advanced training or refresher training for Federal law enforcement agencies?

MR. RINKEVICH. We have experienced a severe deferral problem during the past several years. These deferrals have been due to the extremely heavy Basic training workload. If the downward trend in Basic training requests continue, then we will be able to schedule more Advanced training and hopefully catch up some on this important training.

SENATOR D'AMATO. Are there any plans in FY 1991 to have special agents of the Bureau of Alcohol, Tobacco and Firearms, New York Field Division, undergo either refresher or advanced training classes?

MR. RINKEVICH. The Bureau of Alcohol, Tobacco and Firearms and our staff are in the process of holding discussions for the express purpose of setting an advanced training schedule in FY 1991 for special agents. A minimum of four and possibly as many as seven classes will be conducted. The New York Field Division will be represented in this training.

SUBCOMMITTEE RECESS

Senator **DeConcini**. The hearing will recess subject to the call of the Chair. Thank you.

[Whereupon, at 3:50 p.m., Thursday, March 1, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, March 20.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1991

TUESDAY, MARCH 20, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini, Kerrey, Domenici, and D'Amato.

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

DEPARTMENTAL OFFICES

STATEMENT OF HON. NICHOLAS F. BRADY, SECRETARY

ACCOMPANIED BY:

- PETER K. NUNEZ, ASSISTANT SECRETARY FOR ENFORCEMENT
- LINDA M. COMBS, ASSISTANT SECRETARY OF THE TREASURY, MANAGEMENT
- DAVID M. NUMMY, DEPUTY ASSISTANT SECRETARY FOR DEPARTMENTAL FINANCE AND MANAGEMENT

INTRODUCTION OF WITNESS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service and General Government will come to order.

Our first witness will be Secretary of the Treasury Nicholas Brady, who will be testifying on behalf of the fiscal year 1991 Treasury budget request.

We welcome you, Mr. Secretary. We know that your first year in office has been a busy one and so far it looks like 1990 will be just as hectic with all the economic changes going on in the world. I know you have spent a great deal of time on global economic matters, and I commend you for some of the successes that you appear to have been able to mold together.

Today I am going to ask you to shift focus for a while and turn to operations of the Treasury bureaus. Funding for the war on drugs, the development of law enforcement facilities, modernization of our Nation's tax system are all areas of great concern to this subcommittee. We are certainly glad to have you here today.

While the fiscal year 1991 appropriation request for operations of the Treasury Department is increasing by $581.6 million and 4,078 positions over fiscal year 1990 levels, when you consider that the requested increase for IRS alone is $635.2 million and 3,667 positions, the total increase for all Treasury bureaus is less than the total increased amount for the IRS. And as a result I think many of your agencies will have a very tough time next year if they have to live with the President's budget request as it currently stands.

I look forward to hearing from you today on the effects of the President's budget request on some of these programs. Senator Domenici is on his way and we will break when he comes for any opening statement that he has.

Mr. Secretary, you may proceed.

STATEMENT OF SECRETARY BRADY

Secretary **Brady**. Thank you, Mr. Chairman. It is my pleasure to appear before this subcommittee to discuss the operating budget request for the Department of the Treasury for fiscal year 1991. I will keep my opening remarks brief, and, if there is no objection, request that my formal statement be included in the record.

Since I appeared before you last year there have been dramatic changes in the world. Eastern Bloc countries are struggling with the difficult task of political and economic restructuring. The emerging democracies are looking to the United States for advice and technical support. Treasury is in the forefront of America's response to these changes.

On the domestic side, the Department of the Treasury carries out a wide variety of functions that are critical to the functioning of the Nation's Government. To continue to carry out these essential Government functions, we are requesting a total fiscal year 1991 budget of $8.7 billion and 163,930 full-time equivalent positions.

I would like to highlight a number of the objectives of our fiscal year 1991 budget request. One, a key priority is to support the President in his efforts to end the scourge of drugs by enhancing the Department's role in drug law enforcement. Treasury agents will expand their participation in drug enforcement task forces in major cities across the Nation and increase drug interdiction efforts along our borders. Treasury will lead the investigation of money laundering operations with support from Treasury's enforcement bureaus and other Federal, State, and local enforcement agencies.

To provide this leadership role, Treasury is establishing the Financial Crimes Enforcement Network [FinCEN], an intelligence center to support money laundering investigations and prosecutions. Treasury bureaus are on the front line of the war on drugs and have consistently done an outstanding job with the resources available to them. However, in fiscal year 1991 we are faced with the need to absorb higher personnel costs. This committee has made known its concerns regarding the impact these absorptions may have on our drug enforcement efforts and has recommended that the administration consider shifting resources within the total drug budget to address this concern.

Based on your recommendation I have personally discussed this situation with Director Bennett and he has agreed to work with us and the Congress to use a portion of the special forfeiture fund to help alleviate the need for absorptions. As you are aware, Congress gave Director Bennett access to the fund to assist him in meeting special needs and contingencies that could arise from the war on drugs.

In fiscal year 1991, this fund is now targeted to be used for two purposes, the establishment of a National Drug Intelligence Center and the integration of intelligence and enforcement ADP information systems. Treasury supports these projects; they are necessary to an effective drug strategy. However, we have met with Director Bennett's office and they have agreed that a portion of the funds will be made available to help cover drug-related personnel costs that otherwise would have been absorbed. We are working out the particulars this week and hope to be in touch with your staff with results very soon.

I want to emphasize my appreciation to this subcommittee and your colleagues on the Commerce, Justice, State, and Judiciary Subcommittee for proposing this initiative. The interest and concern demonstrated by this subcommittee, and your counterpart committee on the House side, regarding the impact of these absorptions on our drug programs, helped us focus more directly on this issue. I also want to publicly express my appreciation to Director Bennett for agreeing to help resolve a potential problem. This exemplifies the administration's commitment to cooperation and action to undertake the best possible drug strategy and to curtail the use of illegal drugs.

Second, we will continue to modernize the Federal tax administration. Modernization of the Federal tax administration will increase revenues and make the system more efficient, improve services to the taxpayer, and improve taxpayer compliance and confidence. As modernization proceeds we must also maintain the ability of the Internal Revenue Service to promote tax compliance and collect revenue. The request for the IRS contains the funds necessary to improve ongoing revenue enforcement activities.

Our third major objective is to fulfill our diverse law enforcement and protection responsibilities in addition to our antidrug efforts. We will enforce our Nation's import and export laws. We are also committed to the concept of consolidated training and we will continue conducting programs to reduce the criminal use of firearms and explosives.

Fourth, Treasury further expects to improve administration of responsibilities that include the protection of the President and the Vice President and the investigation of currency counterfeiting, check forgery, and other types of fraud.

The Department's fifth objective is to continue to effectively manage the Nation's finances and service America's debt. Our sixth objective is to supply the resources necessary to provide for the Nation's coinage and currency demands.

Finally, we must provide for appropriate domestic and international fiscal policy formulation and management oversight of all departmental operations. The Department will continue to formulate and promote strategies to resolve such major issues as international debt and savings and loan regulations.

In summary, the $8.7 billion budget request for the Department of the Treasury represents an investment in the IRS to preserve the integrity of the tax system and to increase tax compliance to make a contribution to tax receipts and deficit reduction, a dedication of law enforcement activities with priority given to stemming the flow of illegal drugs across our borders and the responsible preservation of the essential governmental functions of the Department.

Mr. Chairman, that concludes my opening remarks and I will be glad to answer any questions you or the members of the subcommittee might have.

PREPARED STATEMENTS

Senator **DeConcini**. Thank you, Mr. Secretary. We have your complete statement and it will be made part of the record along with the statement of your Assistant Secretary Linda M. Combs.

[The statements follow:]

Statement of Hon. Nicholas F. Brady

Mr. Chairman, members of the committee: It is my pleasure to appear before this Subcommittee to discuss the operating budget request for the Department of Treasury for fiscal year 1991.

Since I appeared before you last year, there have been dramatic changes in the world. East bloc countries are struggling with the difficult tasks of political and economic restructuring. These emerging democracies are looking to the United States for advice and technical support. In the developing world, from the Philippines to Mexico, strides toward economic liberalization are also being taken in connection with the Administration's third world debt strategy. Treasury is in the forefront of America's response to these changes.

On the domestic side, I testified before the Senate and the House Budget Committees and Appropriations Committees last month as one of the Administration's economic spokesmen. We discussed the Federal budget and the Nation's economy. We also discussed the Administration's emphasis on increasing savings and in lowering the tax on capital gains. I emphasized that we can work together to eliminate the budget deficit without raising taxes and take important steps toward encouraging long-term investment in our country's economic future.

The Department of the Treasury carries out a wide variety of functions that are critical to the functioning of our Nation's government. We must provide for appropriate domestic and international fiscal policy formulation, and management oversight of our Departmental operations. The Department has faced head on the problems of international debt and savings and loan regulation and will continue resolution of these issues. Other vital activities for which the Department is responsible include: Administering the Nation's tax system and collecting the revenues due under our tax laws; managing the government's finances, by financing the debt, paying obligations, and maintaining the fiscal accounts; collecting customs duties at our Nation's borders; interdicting illegal and dangerous drugs; pursuing money laundering investigations; and providing for the protection of the President and the Vice President; and assisting the President in directing the Administration's domestic and international economic policies, monetary and financial affairs, and tax policies.

To continue to carry out these essential governmental functions, we are requesting a total fiscal year 1991 budget of $8.7 billion and 163,930 full time equivalent positions.

I would like to highlight a number of objectives of our fiscal year 1991 budget request:

A key objective is to support the President in his efforts to end the scourge of drugs by enhancing the Department's role in drug law enforcement. In support of the Administration's initiative to combat the importation and use of illegal drugs, Treasury agents will expand their participation in drug enforcement task forces in major cities across the Nation and increase drug interdiction efforts along our borders. Over the coming months, 1,000 more Customs agents will be given expanded authority to investigate drug cases.

Treasury will lead the investigation of money laundering operations with support from Treasury's enforcement bureaus and other federal, state, and local enforcement agencies. To provide this leadership role, Treasury is establishing the Financial Crimes Enforcement Network (FinCEN), an intelligence center to support money laundering investigations and prosecutions.

Treasury bureaus are on the front line of the War on Drugs, and have consistently done an outstanding job with the resources available to them. However, in fiscal year 1991, we are faced with the need to absorb higher personnel costs. This committee has made known its concerns regarding the impact these absorptions may have on our drug enforcement efforts and has recommended that the Administration consider shifting resources within the total drug budget to address this concern. Based upon your recommendation I have personally discussed this situation with Director Bennett, and he has agreed to work with us and the Congress to use a portion of the Special Forfeiture Fund to help alleviate the need for absorptions.

As you are aware, Congress gave the Drug Czar access to the Fund to assist him in meeting special needs and contingencies that could arise in the War on Drugs. In fiscal year 1991, this fund is now targeted to be used for two purposes: the establishment of a National Drug Intelligence Center, and the integration of intelligence and enforcement ADP information systems. Treasury supports these projects; they are necessary to an effective drug strategy. We have met with the Drug Czar's office and they have agreed that a portion of these funds will be made available to help cover drug related personnel costs that otherwise would have been absorbed. We are working out the particulars this week and hope to be in touch with your staff on the results very soon.

I want to emphasize my appreciation to this Subcommittee, and your colleagues on the State/Justice Subcommittee, for proposing this initiative. The interest and concern demonstrated by this Subcommittee, and your counterpart Subcommittee on the House side, regarding the impact of these absorptions on our drug programs helped us focus more directly on this issue. I also want to publicly express my appreciation to Director Bennett for agreeing to help resolve a potential problem; this exemplifies the Administration's commitment to cooperation and action—to undertake the best possible drug strategy and to curtail the use of illegal drugs.

Another key priority is to continue efforts to modernize Federal tax administration. Our request for the Internal Revenue Service (IRS), the largest Treasury bureau, takes into account the continued growth in tax administration workload and the pressing need for modernized systems. In the past several years, we have made great progress in strengthening the tax administration system's effectiveness. The budget request for the IRS is designed to maintain the improvements in the quality of tax processing already initiated. Modernization of the Federal tax administration will ultimately increase revenues by making the system more efficient, improve services to the taxpayer and improve taxpayer compliance and confidence.

As modernization proceeds, we must also maintain the ability of the Internal Revenue Service to promote tax compliance and collect revenue. The request for IRS contains the funds necessary to improve ongoing revenue enforcement activities. We propose to accomplish this objective by proposing a series of new compliance enforcement initiatives and management adjustments that serve both short- and long-term revenue objectives, and are intended to produce direct enforcement revenues as well as to promote better voluntary compliance.

Initiatives include contract training of new revenue agents, the increased collection of unpaid taxes, expanded audits of tax returns through increased field and correspondence audits, increased document matching and determining the validity of tax claims for mortgage interest credits certified by local housing authorities.

Our next major objective is to fulfill our diverse law enforcement and protection responsibilities. The requested funds will allow the U.S. Customs Service to enforce our Nation's import and export laws by processing over 9 million formal entries of merchandise, 125 million carriers, and over 400 million passengers and to collect over $18 billion in revenue.

We also remain committed to the concept of consolidated training in order to take advantage of economies of scale and address the shared needs of our Nation's diverse law enforcement personnel. The request for the Federal Law Enforcement Training Center will allow for facility expansion that fully meets the existing and projected law enforcement training needs of the participating agencies.

We seek funds for the Bureau of Alcohol, Tobacco and Firearms to continue conducting programs to reduce the criminal use of firearms and explosives. In addition, funding the operations of the Bureau will provide for the collection of an estimated $10.1 billion in excise taxes on alcohol and tobacco.

The proposed budget for the Secret Service takes into account the need to remain abreast of the increasingly complex and burgeoning workload in the credit card and computer fraud jurisdictions, upgrades to information and communications systems, and improved administration of responsibilities that include the protection of the President and the Vice President, and the investigation of currency counterfeiting, check forgery, and other types of fraud.

The Department's fifth objective is to continue to effectively manage the Nation's finances and service America's debt. This includes efforts to improve government-wide cash management, debt collection, financial information systems, customer service to holders of government securities, and the cost effectiveness and sales of the Savings Bonds program.

Our next objective is to supply the resources necessary to provide for the Nation's coinage and currency demands. The requested funding for the U.S. Mint will allow for the production of sufficient coinage to meet the Nation's business needs. The budget will also fund efficiency improvements that will enhance our capabilities to manufacture domestic coinage. The Bureau of Engraving and Printing does not require appropriated funds for currency production, in as much as its operations are financed through an industrial revolving fund replenished by reimbursements from the Federal Reserve System for currency and the Postal Service for postage stamps.

In summary, the $8.7 billion budget request for the Department of the Treasury represents: Investment in the IRS to preserve the integrity of the tax system, and to increase tax compliance to make a contribution to tax receipts and deficit reduction; a dedication to law enforcement activities, with priority given to stemming the flow of illegal drugs across our borders; and the responsible preservation of the essential governmental functions of the Department.

Mr. Chairman, that concludes my opening remarks. I will be happy to answer any questions that you or the other Subcommittee members may have.

STATEMENT OF LINDA M. COMBS

Mr. Chairman and Members of the Committee, I am pleased to be here, for the first time, to present Departmental Offices' Fiscal Year 1991 appropriation request. With me are David M. Nummy, Deputy Assistant Secretary for Finance and Management, and Charles B. Respass, Deputy Assistant Secretary for Administration.

The Fiscal Year 1991 budget request for the Salaries and Expenses appropriation is for $63.1 million and 728 full-time equivalent (FTE) positions. This request represents an increase of $5.8 million over the Fiscal Year 1990 post-sequester level of $57.3 million. Approximately 85 percent of the increase represents costs which are non-discretionary in nature. These include: $2.4 million, which is attributable to increased pay costs (annualization of the 1990 pay raise, the projected 1991 pay raise, and the Executive Level and Senior Executive Service pay raise), and $2.5 million, which is for inflationary costs of current services and for the Digital Telecommunications System.

The balance of the request for the Salaries and Expenses appropriation is for increases of $.9 million. Of this amount, $.4 million is for restoration of the Main Treasury Building's South Courtyard, which is of increasing concern due to the fire, safety and health hazard the present structure poses. When the new cafeteria is opened in the Annex, removal of this hazard will become essential. The $.4 million increase, added to the base funding of $.6 million, will provide necessary financing to eliminate this hazard.

Our request of $.5 million for automated information systems is a bare bones request to provide for essential requirements. These include maintenance of the Unisys mainframe computer system, escalating costs for user automation services, and completion of Phase II of the Securities Data System for the Office of Domestic Finance.

I would like to elaborate on the increase requested to maintain the Unisys. While we are moving away from use of the obsolete Unisys computer, certain critical applications must remain on the Unisys until their migration to another system can be accomplished. During the interim, costs to operate and maintain the Unisys are increasing. Therefore, although our strategy is ultimately to migrate to another system, funding is required to meet the increased operational costs of the Unisys.

The fiscal year 1991 budget request for the International Affairs appropriation is for $27.5 million and 341 full-time equivalent (FTE) positions. This request represents an increase of $2.8 million over the fiscal year 1990 post-sequester level of $24.7 million.

Approximately 82 percent of the increase represents costs which are non-discretionary in nature. These include: $1.0 million, which is attributable to increased pay costs comparable to those previously discussed for the Salaries and Expenses appropriation; $.7 million, which is for inflationary costs of current services and for telecommunications requirements; and $.6 million, which is for continuing inflationary increases in mandatory overseas costs. These costs include foreign service living and quarters allowance, transportation of household goods, services provided by the State Department, and housing and utilities costs. These increases for overseas inflation rates do not reflect program expansion and represent costs over which we have no control.

The balance of the request for the International Affairs appropriation is for increases of $.5 million. Of this amount, $.2 million is to fund a Congressionally-mandated comprehensive benchmark survey of foreign portfolio investment in the United States. This survey is required once every five years. The last survey was based on data through 1984. The upcoming survey will include data through 1989.

An increase of $.3 million is for automated information systems. These funds are needed to provide maintenance for the Unisys mainframe computer system, to meet user automation requirements, and to replace the Office of Intelligence Support's computer system.

As I indicated in the previous discussion of the Salaries and Expenses appropriation, we are moving away from use of the obsolete Unisys. However, until the migration of certain critical applications is completed, funding is required to meet increased operational costs of the Unisys.

This budget request, although conservative, will enable Departmental Offices to provide necessary support to the Secretary of the Treasury in fulfilling his responsibilities for domestic and international economic and tax policy, law enforcement, financial institutions supervision, and the financial management of the Federal Government.

This concludes my statement. I will be glad to answer any questions you may have.

ADDITIONAL WITNESSES

Secretary BRADY. Mr. Chairman, if I could——

Senator DECONCINI. Yes; would you like to introduce the individuals with you.

Secretary BRADY. I believe you have met Deputy Assistant Secretary David M. Nummy and Assistant Secretary Linda M. Combs before, but I would like to introduce to you Assistant Secretary for Enforcement Peter Nunez, who has just joined the Department and has an outstanding record in drug enforcement.

Senator DECONCINI. Thank you, Mr. Secretary. Indeed we know Mr. Nunez does have a fine record as a U.S. attorney, I believe, for 8 years or 7 years—how long was it?

Mr. NUNEZ. Six and one-half.

Senator DECONCINI. Six and one-half. It just seemed like 8 years probably. We are very glad to have all of you here.

EUROPEAN BANK

Mr. Secretary, let me address some questions that do not have to do with operations of the Treasury bureaus but remain an area of concern to me. The Department is conducting, and I know you have been involved deeply in negotiations over the establishment of a European Bank for Reconstruction and Development. This bank I understand will have a capital base of about $12 billion and obviously will be a key element in Western efforts to ease the integration of the Eastern European countries into the world economy.

Can you tell me why a new international bank is being established as opposed to, for example, a separate lending window for the Eastern European countries in the World Bank? And how will this new bank coordinate its activities with the World Bank and other institutions?

Secretary **Brady**. Well, let me say, Mr. Chairman, No. 1, the major initiative for this bank is provided by our colleagues in Europe. This was an idea that originally was put forward by President Mitterand of France, and irrespective of the participation of the United States it is going to go forward. So No. 1, it is a European effort which we are being asked to join, but which will go forward with or without us.

Second, it does, like the Asian Development Bank and the Inter-American Development Bank and the African Development Bank, have a specific purpose, and that is to be helpful to the Eastern bloc countries, who are trying so valiantly to come from behind the curtain of oppression which has previously obscured their efforts.

So there will be cooperation, of course, as there is between the World Bank and its sister multilateral organizations, but in this particular case the European Bank is being formed to add emphasis to the task and to be of assistance to these countries as they emerge from behind the Iron Curtain.

Senator **DeConcini**. Mr. Secretary, thank you for that answer. Do I detect from that that you personally don't think it is necessary but the United States must do it out of convenience or risk not being a player if we don't join?

Secretary **Brady**. No; not at all. I think that in any of the multilateral organizations which exist in the world it is important for the United States to have a leadership position, and if we can join on terms that are consistent with the principles that the President has put forward and which Congress will agree to, then I think we ought to join. And it is over those principles that we are now having discussions.

Senator **DeConcini**. Can you outline any of these principles under discussion? How much money will have to be put up? How many votes will we have? Or will we have any say——

Secretary **Brady**. Well, with regard to the percentage that the United States will be taking up in the bank, if we do take it up, it will be somewhere between 8.5 and 10 percent. The largest participation of any individual country as it is now presently planned is about 8.5 percent. It may be suitable to the Europeans to have us have 10 percent, and that is an issue to be determined later.

There are several other issues which are important to the discussions at this particular point in time. One is the amount of money that is going to be dedicated to infrastructure lending as opposed to private sector lending. It is our position that the preponderance of money should be aimed at the private sector, and we are fashioning charter and bylaw provisions which will attempt to make sure that that principle is reflected in the incorporating bylaws.

Second, the matter of Soviet lending is one that is an important issue as well. We think, and many other prospective members of the bank think, that the purpose of this bank should be to assist and aid Eastern bloc countries. And as such, we don't want to crowd out the needs of those Eastern bloc countries by having an enormous participation, if it came forward, from the Soviet Union. This is being discussed. The President wants to make sure that the Soviet Union is included in as many of these international organizations as possible, many of them on an observer status, so that it can learn and observe what we are doing in the West, in societies based on market economies.

On the other hand, we do feel that in this particular case that, if their rights were any greater than to borrow the amount of their paid-in capital, then that would represent crowding out and we think that that would not be appropriate.

Senator **DeConcini**. So if I understand then, there are some conditions here that you are telling this committee would have to be met if the United States were going to go into the bank, and one would be that the Soviet Union, if they are in it, could not borrow more than what their capital contribution was.

Secretary **Brady**. Its paid-in capital, yes, sir.

Senator **DeConcini**. Second, another condition as I understand it is to emphasize the private sector lending rather than government lending. Is that correct?

Secretary **Brady**. That's correct. There are other conditions, Mr. Chairman, such as the location of the bank and who is going to run it, which are of lesser importance but still unresolved.

Senator **DeConcini**. What percentage vote would the United States have? It sounds to me like we are going to be vastly outnumbered if we are dealing just with the European members here, but do we get a large percentage vote?

Secretary **Brady**. Well, somewhere between 8.5 and 10——

Senator **DeConcini**. And that is it, there is not any special consideration because we are coming in with only that 8 or 10 percent of influence on the bank because we are not a part of Europe? Is that a consideration at all?

Secretary **Brady**. Excuse me, I didn't quite get that.

Senator **DeConcini**. Because of the fact that the United States is not part of Europe, it looks like the Europeans could control this very easily if we don't have some other leverage with them.

Secretary **Brady**. Well, you have put your finger on exactly the point. The European Community will have 51 percent of the votes. That is why we have been involved in these extensive and long negotiations to make sure that it is in the charter and bylaws since we will not have the opportunity to get our point of view more forcefully across by dint of the fact of ownership.

Senator **DeConcini**. Thank you, Mr. Secretary, for that explanation.

Last on that subject matter, do you have any timetable when you think this will be put together?

Secretary **Brady**. Not particularly, except that there is a sense of urgency among our European colleagues, members of the EC, to get this job done. There was a meeting last weekend and one 2 weeks from now. I think that sort of a general goal is to make sure that we have something that we can agree to by the economic summit in the summer. There has been a lot of pressure and many meetings.

NATIONAL LAW ENFORCEMENT COMMISSION

Senator DeConcini. Mr. Secretary, I want to, for the record, compliment Mr. Nummy for his very outstanding contribution to the Commission created last year to study law enforcement salaries. I think you were a member of that Commission and you attended a couple of the meetings, but I think Mr. Nummy outdistanced all of us and attended all of them, and he was a great representative from Treasury.

SOUTHWEST BORDER PLAN

Mr. Secretary, I understand that Mr. Nunez will be the administration coordinator for the high-intensity activities on the Southwest border. Can you tell us where Treasury is on the formulation of this Southwest border plan? Mr. Nunez can answer this question if you like. Also, has Treasury sent any representatives to the Southwest border as yet to meet with State and local law enforcement, and if not, when do you expect to do so, and what kind of coordination will they have with the State and local law enforcement?

Secretary Brady. If it is suitable to you, I would ask Mr. Nunez to answer.

Senator DeConcini. That would be fine. Mr. Nunez.

Mr. Nunez. Mr. Chairman, over the last month I personally have been out to the border on three different occasions. I started in Houston and met with the command group at Operation Alliance. They had about 70 or 80 people from all across the four States, five judicial districts, with State, local, Federal, and military representatives there.

I was there with representatives from the Office of National Drug Control Policy. We then went to Los Angeles, San Diego, and then last Friday I met again in San Diego with the State and local and Federal agencies in southern California. We are in the process of collecting ideas, consulting with all levels of government. I have asked the five U.S. attorneys along the border to convene meetings as they think appropriate in their respective districts to gather that information and forward it back to main Justice and to us to try to put together a plan that incorporates everyone's interest.

OPERATION ALLIANCE

Senator DeConcini. Will you have a local advisory group similar to Operation Alliance, or how are you going to get that continuous information from State and local law enforcement?

Mr. Nunez. Well, the strategy indicates that Operation Alliance should continue to play a central role, and I have appointed a person to be on the ground that would report to me but would be a coordinator for the entire Southwest border.

Senator DeConcini. Excuse me, Mr. Nunez. Is it correct you are going to be the director of Operation Alliance or not? Will you hold that title?

Mr. Nunez. No; the coordinator that I have just selected will be the director, and he will report to me.

Senator DECONCINI. Can you disclose who that is, or is that coming out later?

Mr. NUNEZ. It is a senior assistant U.S. attorney from San Diego by the name of Warren Reese.

Senator DECONCINI. And he will be transferred to El Paso?

Mr. NUNEZ. Well, we are trying to work out the logistics. There is going to be a lot of travel back and forth across the entire border. So we are working out the staffing arrangements for him in relationship with the Alliance tactical coordinators.

Senator DECONCINI. Thank you. So if I understand this, Operation Alliance will be part of the Southwest border high-intensity area for getting input into that organization; is that correct?

Mr. NUNEZ. That's correct.

ADDITIONAL RESOURCES AT SOUTHWEST BORDER

Senator DECONCINI. Aside from the 175 inspectors which Customs will be providing in fiscal year 1991 to the Southwest border, what other plans do you have to devote additional resources in 1990 and 1991?

Mr. NUNEZ. There were increases I think in Customs and ATF generally in the 1991 budget request in the high-intensity—in all of the districts along the border. I don't have those numbers; perhaps Mr. Nummy does.

The initial pot of money that is available through the Office of National Drug Control Policy, $25 million, is going to be used to enhance Federal law enforcement in the five high-intensity areas. That money has not been divided up yet.

Senator DECONCINI. It hasn't? When will that take place?

Mr. NUNEZ. It is supposed to be by June 1, I believe.

Senator DECONCINI. What troubles me, and I think other members of this subcommittee, Mr. Nunez, is that the strategy calls for 175 more Customs agents on the Southwest border, but then when you look at the Customs budget, they are going to lose 757 people according to their overall budget. And though the Secretary gave us some good news today that I was not aware of, the national drug coordinator, Director Bennett, plans on using the forfeiture fund for some of the pay absorptions, I certainly would appreciate any explanation that you would like to give this committee, now or later, as to how you are going to make sure that the 175 inspectors get to the Southwest border and that you don't rob Peter to pay Paul by taking inspectors from New York or from Florida or from some other place that are also important from a drug-control standpoint.

I, obviously, have a deep interest in the Southwest border, as my colleague from New Mexico does, but I am concerned that we do not jeopardize some of the other operations, particularly of Customs. The same is true with the Border Patrol. Border Patrol is not under our jurisdiction here. BATF to a little lesser extent has the same problem. Maybe you would like to supply that information for us later.

BUDGET REALLOCATIONS

Secretary **Brady**. Mr. Chairman, if I could say just a word on that. We have asked the same question, and Commissioner Hallett has absolutely assured us that that is going to be the case. So it is a question of reallocation of personnel and resources which the head of the Customs Service has told us is flat going to happen.

Senator **DeConcini**. Well, what bothers me, Mr. Secretary, just to be quite blunt with you, Commissioner Hallett did a good job up here and she in essence said that she is going to do more with less, and I find that awfully hard to figure out. I pressed her, quite frankly, if she had reviewed this with you and if she and you had talked to Secretary Bennett and OMB. These figures just don't fall into place to allow Treasury to meet the elements of the drug strategy that President Bush has spelled out under Director Bennett's congressional directive. It is a good strategy in my opinion, and it plays so heavily in your area of jurisdiction, but now, when the budget comes to Congress, we find severe cuts.

Now we find at least some movement, and I compliment you and Director Bennett for moving in the direction of using the special forfeiture fund for the AUO, and salaries, but we are still going to be short. And my concern is that if we don't get some movement from Treasury or from OMB before we go to markup we are going to have a hell of a time supplying the 175 additional inspectors for the Southwest border, as well as the other plans that are included in the drug strategy. I just want to implore you to please get involved to see that you take this money from some place other than other parts of Customs.

If we have to reduce the cargo container inspections or other intelligence units or the commercial operations that Commissioner Von Raab and now Commissioner Hallett seem to be doing a tremendous job of improving, it really troubles me that we are cutting off our nose to spite our face and saying that we are really increasing drug enforcement when, in fact, we are just taking funds from another very vital place. I implore you to please look at this and maybe we can talk about it a little bit later. I want to find a way to do it all, because that is what the drug strategy includes, and I think it is a darn good strategy.

Secretary **Brady**. I understand.

IRS ENFORCEMENT

Senator **DeConcini**. Mr. Secretary, I do have a question I would like to ask you on the Internal Revenue Service. The fiscal year 1991 budget request for the Internal Revenue Service totaled $6.1 billion, which is an increase of $635 million over fiscal year 1990 enacted levels.

As you may or may not know, the IRS represents over 60 percent of this subcommittee's discretionary funding. As a result, when we have to restore cuts to Customs, ATF, Secret Service, or other agencies under our jurisdiction, it is not always possible to provide the full level of funding requested by the IRS. The fiscal year 1991 increase is almost double last year's increase, and I must say that I am concerned that once again funds have been requested to undertake a revenue enhancement initiative.

For fiscal year 1991 this initiative, for instance, costs $191 million and is expected to yield an additional $537 million in revenues. We certainly need to reduce the deficit. However, when the IRS' inflationary costs to pay for maintaining current service levels alone total almost $300 million and funding for tax system modernization activities totals another $87 million, it seems to me that you can't afford to undertake the revenue enhancements, particularly when it is questionable whether or not the revenue estimates are ever realized.

IRS tells us this year that of the $109 million provided in the fiscal year 1990 budget for revenue enhancement, they will be unable to achieve the $500 million in revenues originally projected. They have told us that because the initiative got started late and because of the sequester they will only realize about $100 million.

The question comes to my mind, Mr. Secretary, are we not really playing a game here by plugging in a figure for revenue enhancement for greater enforcement and then plugging in a figure for what they are going to raise and in essence are not raising it? We did not raise it in 1990 or 1989 and I don't know that we are going to raise it in 1991.

Do you have any explanation of how we deal with this and can you give us any assurance that IRS can indeed raise that $500 million if they are given $191 million more for enforcement?

Secretary BRADY. Well, let me take a crack at it, Mr. Chairman, and then if I leave anything out I will ask David Nummy to fill it in.

As you know, these estimates are based on historical evidence as to what additional manpower will produce, and it is our best guess that by having more people work, as in the case of the $190 million, and if that program were fully implemented, we would get that amount of money. Obviously, if it starts late we will get less.

With regard to the larger amount of money, which says that we will produce some $2.5 billion over a period of years, this is a more important figure. It is because of its size. That comes from fundamentally reordering the way we tackle the cases that are before us. In the past we have done them pretty much on a seriatim basis: As they come in we tackle them. Now our management consolidation program includes trying to take the bigger cases and the ones that have the bigger yields first, so that we get that money in quicker.

But David, you may want to comment on the matter.

Mr. NUMMY. Well, one of the issues you talked about was whether the estimates are accurate or not. The Treasury Department shares concerns that in the past the estimates may not have been totally on the mark. But let me say, I don't think there is any disagreement over the general thesis that if you add people eventually you are going to raise more revenue. I think there is a disagreement, which you referred to, as to the timing of that and the exact amount.

So whether $191 million will give us $500 million in the first year, our experts tell us that is the best estimate they can give us. I have to be honest with you, we don't know whether that is plus or minus $50 million. But there is no disagreement, and I think it is our strong opinion that the general principle that more people bring more revenue is a valid one.

IRS BUDGET PRIORITIES

Senator DeConcini. Do you think, Mr. Nummy, then that we should—I guess I know the answer to this question—go ahead and put this kind of money in when we have shortfalls in other places within the IRS, the taxpayer service program and other activities which may not have sufficient funds, when we know the first-year return is not going to be there?

You may be right, project it out and maybe it does come. Do you think we should go ahead and continue to play that game and that role?

Mr. Nummy. Well, I think there are really three components to the request. The first part, the major part of it, is a request to get those shortfalls you referred to addressed. You are right, the IRS has been under a hiring freeze for a long time and we have put money in there to sort of try to make them whole, put them on a level playing field.

The second component is to increase taxes through modernization. The third component is the revenue initiative. So I would say that if we couldn't meet the first two, the third one wouldn't make any sense at all.

Senator DeConcini. So would you prioritize them? Can you help this committee at all? If we can't provide the total funding, should they be reduced proportionately, or is there one of those initiatives that is more important to Treasury than the other? Or maybe the Secretary cares to answer that.

I am not trying to set a trap for you, I am just looking for a solution here, because it is a lot of money we are asked to add on to the IRS and I am not sure we are going to be able to meet that. Maybe there is something that stands out. Maybe the enhancement is more important to you or to the Secretary or to the IRS, or maybe your priority is some other area.

Mr. Nummy. I guess, to address your question, it is fair to say that you can't fund the revenue initiative unless you have funded the base. So by definition reestablishing the base has to be the first priority. I think it is also fair to say that tax system modernization is a Presidential priority and probably within the Department of the Treasury the most critical major modernization project that we have facing us.

The third component, which is to increase revenue, from a governmental standpoint just makes sense. Now, I realize that you face the same situation we do at Treasury, which is you are dealing with a limited pot of money, and you have to deal within the constraints of the committee and you don't necessarily get the credit for increased revenues. But from a governmental standpoint, it just makes logical sense if you can——

Senator DeConcini. I can live with that. I don't like it, but I can live with that if they really collect it, if it really comes in. You didn't answer my question, but I understand what you are saying.

ADDITIONAL CUSTOMS AGENTS

Mr. Secretary, just a couple of more questions and I will yield to my colleague from New Mexico.

The President's national drug control strategy states that an additional 1,000 Customs agents will be given drug investigation authority through cross-designation from DEA. The strategy goes on to state that the proper mechanisms have been developed to assure the proper coordination between DEA and the Customs Service.

I notice in this morning's Post that there was a small article saying that some agreement had been reached and these cross-designations were going to occur.

Can you give us your assurance, or have you participated at all in these negotiations, Mr. Secretary? Can we feel confident that these designations really are going to come about and we are not going to have any backsliding on these cross-designations so we can put this matter to rest and know that it is no longer going to be a problem?

Secretary **BRADY**. I think the answer to that question is yes, Mr. Chairman. On March 13, Treasury and Justice came forward with a joint announcement which indicated that a plan would be put forward to cross-designate an additional 1,000 Customs agents, and I believe 400 of them will be designated by April 1 of this year.

Senator **DECONCINI**. Do you have any idea, or can Mr. Nunez help us, as to where these cross-designees are going to be placed?

Mr. **NUNEZ**. The first 400, Mr. Chairman, are going to be along the Southwest border.

Senator **DECONCINI**. Well, that is good news.

Mr. **NUNEZ**. I thought so.

Senator **DECONCINI**. When do you think that will take place, Mr. Nunez?

Mr. **NUNEZ**. Well, the names have already been sent over to the Drug Enforcement Administration and by April 1 we will have those 400 cross-designated, and then we are moving forward with the other remaining 600.

Senator **DECONCINI**. My last question is really for Senator Hollings, and I will just ask it.

Last month the Senate Appropriations Subcommittee that Senator Hollings chairs with Senator Rudman as ranking member conducted hearings in South Carolina on the Federal, State, and local response to the drug crisis. A complaint by both Federal and State law enforcement officials was the inability of Customs agents to work drug cases unless those cases involved importation.

The State of South Carolina currently has nine DEA agents to cover 46 counties, whereas some five Customs agents are assigned to the State. In reviewing the testimony presented at these hearings, it is clear to me that South Carolina has an escalating drug problem and is in desperate need of Customs agents to join in the Federal effort to fight the drug war. I am concerned, and I am glad to join Senator Hollings with the concern that he raises here about the cross-designation. Does your recent agreement with DEA, Mr. Nunez, include any Customs agents for South Carolina?

Mr. **NUNEZ**. It certainly can. The agreement does not limit the cross-designations to any particular area. It does indicate that the cross-designations will be done primarily for the purposes of drug interdiction cases and money laundering cases. I should point out, however, that there previously has been authority that the Attorney General has used to cross-designate Customs people in the drug task force concept, and I don't know specifically about South Carolina but that certainly should be available.

Senator DECONCINI. A couple of followup questions. Are you saying the cross-designation could involve more than 1,000?

Mr. NUNEZ. That's correct.

Senator DECONCINI. And that is something that you haven't worked out yet. But the agreement is firm as to the 1,000 and you think once that it is done it might mean more?

Mr. NUNEZ. Well, it is an additional 1,000 to those——

Senator DECONCINI. That are already cross-designated.

Mr. NUNEZ. I think there are about 250 that are already cross-designated.

Senator DECONCINI. And that is a firm commitment and an agreement that you aren't concerned about falling apart?

Mr. NUNEZ. That's correct.

Senator DECONCINI. Last then, will you take a look at South Carolina for Senator Thurmond and Senator Hollings and see what cross-designations might be of assistance to the drug enforcement area there?

Mr. NUNEZ. Certainly.

Senator DECONCINI. Thank you, Mr. Secretary, and I will yield to my ranking member, Senator Domenici. I am sorry it took so long, Pete.

INVESTMENT IN EUROPE

Senator DOMENICI. That's all right, Mr. Chairman. I don't think I had anything else to do, and it was nice to listen to your questions and get their answers. Thank you very much.

Mr. Secretary, let me first say this is my first opportunity since you have returned to good health from your operation and recuperation to see you, and it is a pleasure to have you here. I hope you feel as good as you look. You look very well, and I don't expect you to discuss the situation involving your major operation, but I just want to extend to you my best wishes that you are feeling well and back on the job.

Secretary BRADY. Thank you, Senator Domenici.

Senator DOMENICI. I also want to compliment you, Mr. Secretary, on the work of David Nummy. He has truly been an asset to your Department in many ways. Of course, I suspect you would think that I am prejudiced since I first hired him when he came to Washington as the youngest CPA admitted to the Oklahoma Certified Public Accountants Corps, and he has accomplished a number of things, significant things, in that short number of years, and I compliment him.

Mr. Nunez, I don't know you, but I am pleased that you are here today and I look forward to getting to know you better. You have a very difficult job and we are delighted to have you on board.

Mr. NUNEZ. Thank you, Senator.

Senator DOMENICI. Mr. Secretary, before I ask questions with reference to Customs and IRS, let me make two or three observations since this is my opportunity to talk to you publicly about one of your roles, the role that you have internationally in your Department. And while we don't have direct jurisdiction over them, let me first say to you that with reference to the bank that you contemplate for private sector development in Europe, I am not familiar with all of the details—that is, the international bank, Mr. Secretary—but frankly, I believe we need some of these kinds of ideas. We need to develop them quickly.

The good part of it, Mr. Secretary, is that the United States of America should not be the sole source of capital, either the lending of capital, the contribution for equity, or aid for Eastern Europe. We have plenty of allies in this free industrial complex, from Japan to all of the countries of Europe and others, who have benefited immensely from America's sacrifices in behalf of getting communism under control, and I hope that you are aware that we ought to wherever possible get those countries to contribute also to the accelerated growth and development of the private sector in Europe. And I assume that is one of the reasons for the bank that you contemplate; is that correct?

Secretary BRADY. That is correct, and you have put your finger on a very important point, which is the multilateral nature of this effort, where our participation will be somewhere between 8.5 and 10 percent. Yet we are talking about a bank of some $10 billion. So it is a quite a sizable operation and our participation in it is not that big.

Senator DOMENICI. Mr. Secretary, on that score I just want to make one other observation of my own. It appears to me that much of our activities by way of foreign aid through the AID program and much of our international funding has been during an era when we did not have the kind of developing democracies who were moving toward an open market and somewhat toward capitalism. I would hope that you would constantly be an observer and one who is pushing for changing the nature of both our aid, our trade, and our lending policies so that they would be more focused on the kind of development that Eastern Europe obviously needs, which is aid moving them toward free markets and the ability to engage in private sector development and trade.

Is it fair to assume that that is one of the major focuses of your efforts?

Secretary BRADY. Well, that is exactly correct. Obviously, the times we find ourselves in are different than the times after the Second World War when we were able to afford a Marshall plan. We had an enormous economy and the rest of the world was very, very much smaller. That is not the case now. We have economies in Germany and Japan and elsewhere that have gotten bigger and bigger and, therefore, we have to be able to focus our assistance on those places which are of most importance and most deserving. That is exactly what we are doing.

STOCK MARKET IN POLAND

Senator DOMENICI. My last observation, Mr. Secretary, has to do with whether or not our AID programs, the way they are currently and the way they are being implemented, are as responsive to current needs as possible. Let me give you an example. I have heard for some period of time that Poland is interested in the creation of a stock exchange. At first it appeared to me that we were talking about something that might be premature, but I have had an opportunity to talk to the Chairman of the Securities and Exchange Commission and I am convinced that as a means of distributing possible equity commitments that perhaps a stock exchange is a good mechanism for the marketplace, because it is a clearinghouse for investment.

Mr. Secretary, I understand that there is support in the administration for our Securities and Exchange Commission to be technical advisers to the creation of such an entity in Poland. But if I have been informed correctly, I have been told that they need some resources and that they look to AID for those resources.

And I might say, Mr. Chairman, it sounds incredible, but my first reading of this is that AID cannot fund the Securities and Exchange Commission, according to their interpretation, because it is a co-Federal agency. But AID can go out and hire a financial institution in the private sector to do this for us instead of the Securities and Exchange Commission.

Mr. Secretary, if that is true, I would hope that somebody would ask us to fix that. I don't believe it is true, but it borders on lunacy from this Senator's standpoint if it is true. So would you mind looking at that? I understand you are an advocate of establishing this exchange and I believe the Securities and Exchange Commission ought to be the kind of professionals to provide technical assistance—they have no axe to grind, they have no special interests, and they are the best in the world.

I would hope that we could see our way clear to do that. And if our AID program for Poland holds that up, we would be willing to fix that. I think we could get broad support, but I don't think we have to. I think the President can fix it by telling AID to read the commitment of Congress to them properly.

Secretary **Brady**. I had not heard that, but why don't you let me look into it and I will get back to you.

[The information follows:]

As of the end of March, the Department of the Treasury and the Agency for International Development are discussing administrative and funding arrangements to permit experts of U.S. Government agencies with financial market responsibilities to provide advice and assistance to the governments of Eastern Europe that are eligible for assistance under U.S. law. The necessary arrangements should be in place within two or three weeks.

CROSS-DESIGNATION OF AGENTS

Senator **Domenici**. Thank you. Now, Mr. Nunez, let me ask you about Senator DeConcini's, our chairman's, last question on DEA cross-designation. I am pleased that you are going to cross-designate. But I wonder what is the reason for setting any cap? Why are you talking about 1,000? We have 2,700 Customs agents. We have 230 of them that are now cross-designated to do the same kind of work that DEA does. Why don't you just establish a policy that you are going to cross-designate as many as are needed? If it is 700, fine. If it is 1,500, fine. In my opinion it is high time we do this. We shouldn't have limited jurisdiction when we have other law enforcement personnel who can be utilized rather readily. So would you mind addressing that issue?

Mr. NUNEZ. Yes; I don't think that the numbers that have been used are intended as a cap. They are a starting point. We know that there are already some number, several hundred agents, cross-designated. We are going to start with an additional 1,000, and I think that we will look at the program again, after a year, as per the agreement, and see what needs to be done next.

I think at this point what we are trying to address most specifically is the areas of Customs enforcement that interrelate with the war on drugs, specifically interdiction and money laundering. And that seems to be the number of agents that are now available to do those kinds of things. As you know, Customs has several other non-drug enforcement responsibilities that they need to address also.

Senator DOMENICI. Secretary Nunez, I hope it is not that DEA is putting these kind of limits on you. Is there any reason for that? The MOU actually says up to 1,000, I would tell you that.

Is it DEA that is putting some limits on?

Mr. NUNEZ. Not to my knowledge.

Senator DOMENICI. All right. Thank you. Could I address the Federal Law Enforcement Training Center at Glynco?

Senator DECONCINI. Would the Senator yield on that?

Mr. Nunez, I don't want to take too much issue with you, but I have been under the impression that the DEA has some limits or reservations on how many of these agents they are willing to cross-designate, because if they don't, then the question from the Senator from New Mexico makes imminent sense, you designate as many Customs agents as you have. You have 2,000 agents, if you need them to get designated. But you can't do that, you can only do 1,000.

Are you sure that the DEA or the Department of Justice has not put some restrictions on how many?

Mr. NUNEZ. My impression is that—well, I was not involved in the negotiations for the January 10 agreement that came up with the number of 1,000, but my impression was that the Customs Service asked for authority to do 1,000 additional agents and had not asked for more.

As I said, there was I think a clear understanding that both sides are free to ask for more if after they get this process rolling we see we need that.

Senator DECONCINI. OK. Thank you, Senator.

GLYNCO FACILITY

Senator DOMENICI. Thank you, Mr. Chairman. I will try to take just another 3 or 4 minutes.

On the Federal Law Enforcement Training Center, Mr. Secretary, your predecessor, Secretary Baker, now Secretary of State, was a very staunch advocate of the centralized Federal law enforcement training facility that is at Glynco, GA, with a satellite in New Mexico and a satellite that has existed for some time in the State of Arizona.

Secretary Baker clearly did not want the U.S. Government to set itself on a path of creating a number of separate training facilities when we were trying to create the best centralized facility, the one at Glynco, GA. We understand that the Drug Enforcement Administration under the Department of Justice is now seeking to expand its training capacity, and that the Departments of Treasury and Justice have agreed to a joint study to determine the best means of achieving DEA's training requirements. That is, whether they should utilize the Federal Law Enforcement Training Center—which is headquartered at Glynco, a former naval base, with satellite facilities in the State of Arizona and at an abandoned university in the State of New Mexico—or whether they should proceed to construct a new facility of their own at Quantico, VA.

We would be very concerned, after we have gone through a great deal of effort to consolidate Federal law enforcement training under one roof, to see a huge new training facility built somewhere else. So could you please tell us whether Treasury and Justice have met to agree on the scope of this study and what issues will be addressed and when we might expect its completion?

Secretary BRADY. Thank you, Senator Domenici. We appreciate every member of the subcommittee helping develop the institution of a comprehensive consolidated training center, FLETC, the principal bases of which are Glynco, GA, along with Artesia, NM, and Marana, AZ. We think that is the right way to do it and we think we have the facilities, the wherewithal, the manpower and the expertise to get that job done.

We are involved at this point in time in a joint study with DEA to see whether their thought about additional facilities at Quantico has merit or not. That study is underway. I don't know exactly when we can expect an answer back from that.

Do you know, Peter?

Mr. NUNEZ. No; I don't. I have two meetings this week with people from Justice and DEA to hear their proposal, and from that we will go forward to see what kind of a study is needed. The people at FLETC are already involved in gathering information to provide to the decisionmakers.

Senator DOMENICI. I just want to say, Mr. Nunez, that clearly if we go down a path other than to try to accommodate all new training needs within the overall FLETC umbrella, this won't be the last. DEA won't be the last to ask that they do their own. And I am not talking about this because of Artesia, NM. I was committed to Glynco years ago, and it is a tremendous facility and we ought to try to accommodate as much training as we can.

IRS RECRUITMENT AND RETENTION

I am going to submit in writing some questions on FINCEN and other things, but I want to talk a minute about the Internal Revenue Service, Mr. Secretary. We will have the Commissioner of the IRS before us tomorrow. Because of my great respect and admiration for you, Mr. Secretary, I must tell you that I believe the Internal Revenue Service is on the verge of a very significant breakdown, and I hope that as the secretarial overseer of that giant department, you are insisting that they bring you current on what is going on in the Internal Revenue Service.

The reason the chairman is so concerned about what good would new money do to try to raise additional revenues that we don't now collect is because there is plenty of evidence that IRS systems are out of date and the Internal Revenue Department is having enormous problems hiring the kind of people they need for their ongoing day-to-day operations. We have to find some way to get the Internal Revenue Service back to a point in time when the best of American lawyers and accountants and others join that Department.

We are aware of some cities where newcomers to IRS make more money working in fast food establishments than they make in jobs for the Internal Revenue Service. And I merely tell you this because recruitment and retention are very, very important and I think you ought to address that, and I would ask that for everyone's sake you take a good look at it, Mr. Secretary, and that it be addressed. I think it would not fall on deaf ears up here if you had a retention and pay incentive program that was apt to bring us back the professionalism within that Department that we at one time had.

ADDITIONAL REVENUE

As far as collecting additional revenues, we are now aware that you have two different programs. One is supposed to collect $2.5 billion and the other is supposed to collect $500 million. I have been an advocate in the past—I am not sure I was right—of IRS revenue initiatives, not as much because they drove the budget deficit down by increasing revenues, but I thought they were for real. I am no longer a soldier. I tend to agree with CBO that these won't work as presented.

They have looked at enough of the past history to convince them—and I don't follow them blindly—that we won't collect the huge amounts of new revenue assumed if we give you this money for the kinds of things that are asked for in the budget. I was pleased that you, Mr. Nummy, said we better first get the Department positions filled. And so I just tell you that because I am very leery of whether the amount of money asked will accomplish the goals identified.

And my last one, there is a huge debt owed in terms of IRS accounts receivable. We are going to address that when we have the IRS Commissioner, but we have an enormous amount, billions of dollars, that are on IRS ledgers as amounts receivable. To the extent this amount reflects money due from people of this country, citizens and corporations, sooner or later that it is going to be a very hot potato if it isn't addressed properly, and I urge that it be given secretarial consideration.

Thank you, Mr. Chairman.

Senator DeConcini. Thank you, Senator.

Before I yield to the Senator from Nebraska, I want to thank the Senator from Nebraska for taking over the balance of this hearing. I have a meeting with Senator McCain and Senator Inouye that I must attend.

Mr. Secretary, I am going to submit some very specific questions to you and Mr. Nunez regarding the special forfeiture fund that you indicated was going to be used to partially offset salary increases and mandated overtime, and they will be specific in asking how many of the Treasury agents, Customs, IRS, and BATF that they are actually going to restore with the money from this fund. We would appreciate it if you could respond to these questions for the record. The Senator from Nebraska is recognized. Thank you.

RESOLUTION TRUST CORPORATION

Senator **Kerrey** [presiding]. Mr. Secretary, let me just sort of combine my opening statement with some questions. Listening to the other Senators and some of the concerns that they have reinforces my concern about Treasury's capacity to do a sufficient job of oversight in regard to the Resolution Trust Corporation. We talked about this last year when the FIRREA bill was being discussed. As you recall, we met and talked about an amendment that I had at that time.

The Resolution Trust Corporation's enormous assets and tasks presents a very unusual situation, unique, perhaps, in our Nation's history. I believe that the Oversight Board must carefully monitor the disposition of assets and be able to present to us in the Congress different policy options that will need to be considered, and perhaps some changes in the language in the law so as to permit the Resolution Trust Corporation to function in an expeditious fashion.

Finally, to provide the taxpayers with the kind of accountability that is required we need to change the RTC's oversight structure. Mr. Brady, I have great respect for your work and your capacity. During this past year you assisted in the debt relief with Mexico. Undertook the challenge of running the Internal Revenue Service. I know the increasing tasks that are being passed off to Treasury for not only the attempt to stop the flow of drugs across the border, but as you say in your testimony, the scourge of drugs in the Nation.

I know what sort of a task that you have got, or at least I can sort of be sympathetic to the task that you have got in just financing the Government and keeping the flow of bonds in a manner that permits the community outside of this city to have confidence in the financial structure of the U.S. Government.

With all these duties how do you find time to be chairman of the board that has the principal task of being the oversight for the Resolution Trust Corporation?

Secretary **Brady**. Well, Senator Kerrey, you have raised a number of points. Let me address them if I can. First of all, you said the situation is unique, and in the dictionary sense of that word I would agree with you. I would hope that it is unique and that there is only one of this particular kind, because it is as serious as you have indicated.

With regard to the time, we do have as chairman of the oversight board the most experienced and best regarded bank regulator in the country, Bill Taylor, who was the senior man at the Fed. So he is the guy that does the day-to-day work. The job that Chairman Greenspan, Jack Kemp, and the two outside directors will have when they pass the ethics test will be to pass on the policies and suggestions that he brings forward.

But this particular job does take a lot of work. We meet every Monday morning with Bill Taylor and the other people in the Department who are involved. And they in turn meet during the rest of the week and work with the oversight board as required. Frankly, we have only been at this job some 7 months, and it is going to take some time to make sure we have everybody in place.

RTC ORGANIZATION

When you get down to the operational end of the way we organize ourselves in the savings and loan problem, which is the job that the FDIC does with respect to the resolutions and handling of the particular daily requirements of making progress on this operation, some 2,000 people have been hired since last September. Any number of regional offices have been put in place. Some 30,000 properties have been cataloged. They have been doing an awful lot of work.

But I want to make sure that we have on the record the fact that the oversight board has three responsibilities. One is to create policy. The second is to audit the process by which the RTC and the FDIC carry out that policy in terms of particular transaction, and the third is to provide funds.

So the working end of the operation is at the RTC and the FDIC level. We don't get into daily resolutions and daily decisions. That is the job of the RTC, what is fully manned by the FDIC.

Senator KERREY. But even the policy, even accepting that as I do, Mr. Secretary, that you are not responsible for the day-to-day operation of the RTC—and by the way, it is not just the evidence of the activity in the last 7 months. My concern about the ability of the RTC to carry out its mission predated the passage of the bill.

I am trying to get a sense of this. If you came to me and said, Senator, we would like to have you be in charge of 330 to some estimates are 600 institutions or small businesses, some of them quite large, all over the country, we would like to have you manage this and manage the sale and the transfer of the assets or the transfer of the operation itself, I mean, it is a monumental task. And I mean, I just don't know how in 1-day-a-week meetings, you——

Secretary BRADY. I am not involved in running 331——

Senator KERREY. But you must take the judgments, do you not, as to whether or not Mr. Taylor is getting the job done?

Secretary BRADY. Mr. Taylor is not doing that job either. That job is being done by the RTC, which is fully manned by the FDIC. We are a policy organization. We do not get into individual transactions.

Senator KERREY. Then who makes the judgment as to whether or not the people that are carrying out the task are competent in doing the job or not?

Secretary BRADY. Well, upon discussion with the FDIC at a policy level—and I don't want to become boring and repetitive, but that is what our job is at the oversight level—we transmit policies back to the FDIC that generally overlay their activities. At the end of the first year we will have a complete audit trail of all of the activities that have taken place during that particular year and we will have a report on it. But until we get that report, you know, we have got to be confident that they are doing a good job, and I think the FDIC is a very professional organization.

Senator **Kerrey**. Well, please, by the way, don't worry about being either boring or repetitive. It is not boring and I can suffer repetitiveness on this issue, because indeed I am trying to understand how it is that you are going to make determinations about how not just the policy ought to be altered, but it seems to me that at some point somebody in a position I assume will have to advise the President as to whether or not the operation is being run properly.

I mean, personnel decisions are being made. Some evaluation of Mr. Taylor himself must have been made to determine whether or not he was the right person for the job. And I assume some evaluations will be done on a day-to-day basis or on some regular basis as to whether or not the performance is up to the expectation of the oversight board.

Is that not correct? Do you not do any evaluation of whether or not their performance is adequate?

Secretary **Brady**. I have no doubt that Mr. Taylor is the right man for doing the job at the oversight board. He is an extraordinarily capable, seasoned, well-trained executive, the No. 1 man at the Federal Reserve in this country, and I just don't have any doubts about his ability.

Senator **Kerrey**. But, Mr. Brady, again, with all due respect, Mr. Secretary, I have hired wonderful people in the past who I believed were perfect for the job but they were not due to—it was not as a consequence of their own unwillingness to do the job or their own competency, but circumstances or whoever created unsatisfactory performance.

I am not suggesting that I have got a low opinion of Mr. Taylor or that I had evaluated him in some way and believe that he can't get the job done. I am just suggesting that someone—I'm asking actually—is there someone who will evaluate the performance of the RTC and are there benchmarks for performance that will guide whether or not you say the job is being done correctly?

Secretary **Brady**. Well, Senator, that is exactly what our job is, to evaluate the performance of the RTC, and that is what we are doing. And when I say we, there are some 50 people inside the oversight board of which Mr. Taylor is the chief executive. We have Alan Greenspan and Jack Kemp as other directors. We have in the process two others, one Democrat and one Republican, both experienced in the real estate market, who will join us as soon as the ethics laws considerations are cleared.

Those five people will be evaluating the CEO of the oversight board. We will be evaluating whether we are doing the job that you have referred to or not, and that job is to look out at the RTC as it is manned by the FDIC and see whether those policies are in fact the ones we should be following.

Senator **Kerrey**. But again, it seems to me if I was going to clean slate this thing, which is what I attempted to do last year when I considered the bailout bill in the first place, that the amount of work that is going to be required of this operation, particularly when you take into account that the taxpayers are being asked to pay for it and there's lots of different policy options that have to be considered, as you have suggested on previous occasion, and I think as you accurately say in the Washington Post article this Sunday, that we do need a long fuse on it. It is going to take time. We can't let constant distrust cause us to have policy lurches back and forth as a result of being afraid of doing something wrong, otherwise no decisions are going to be made.

I, with all due respect for what you have to do, and it is considerable respect, for all the tasks that you have to do, that Alan Greenspan has to do, that Secretary Kemp has to do, I mean, I don't see a meeting a week on Mondays, or whenever you meet, being a sufficient amount of time to organize the kind of oversight that it seems to me that you are being required to do.

Secretary BRADY. Well, I want to make sure we don't have any confusion here. There is an oversight organization which has an office on Connecticut Avenue. Bill Taylor is there every morning very early and stays very late. He has a staff with him that does exactly what you are talking about. Chairman Greenspan, Secretary Kemp, and myself are not hour-by-hour day-to-day working stiffs on this program. We are people who come in and evaluate what the chief executive officer tells us he has done. I mean, this is the way things are done in—the way I have seen them done in corporate and other governmental bodies.

I am a little unclear as to what is being suggested.

Senator KERREY. Well, what is being suggested is—let me take the example of a private sector corporation that was in the kind of distress that we are talking about now. You are talking about a corporation that has—the Resolution Trust Corporation has responsibility for 340 or so savings and loans that are all losing money, or that are being operated, have been taken over because they have been judged to be insolvent. I mean, I am talking about a distressed corporation that I think if it was in the private sector entirely that you would have a board of directors that would be active far beyond what normal board of directors are required to do.

I am indeed trying to keep this from being personal. I don't mean this personal at all. I am just saying I think we have tasked you and the rest of the members of the administration who are on this board with a job that I think in the end not only will be impossible to carry out but will require all of us to essentially go to staff to get answers for questions that we have.

Secretary BRADY. Well, Senator, with all due respect, it is a little early in the game to be concerned. I know you were worried about this same problem when the FIRREA legislation became law. But we are only 7 months into the process. There are some things that haven't been working perfectly. There are some things that have been done that are darn good. We are learning more about the problem in terms of what needs to be done, and when I talked about long-fused operations in the article you referred to, I mean that. I think it is a mistake to pull the vegetable up and look at the roots every one-half hour to find out how it is growing. I think we have to stay at the game for a period of time. At the end of the year or so, we will come back to Congress and we are going to have to get your advice and consent.

Senator KERREY. I will just close this discussion—and I will ask the Senator from New York to ask some questions—by saying that if the President of the United States had come to Congress and got $160 billion of spending authority for a 10-year program, brand new, I don't think that anybody—very few people would permit the kind of loose accountability that I think we have in place. I think it is very loose accountability. It is difficult for us to get information. It is very hard for us to make quick policy decisions, as I think we are apt to do.

I don't, by the way in saying all of this, feel that you are doing a poor job or Mr. Taylor for anybody ahead of him is doing a poor job. I am simply suggesting that the way that it is organized, the way that it is organized in Government makes it not only difficult but I just predict impossible for us to have a satisfactory outcome.

Senator D'Amato.

SAVINGS AND LOAN FUNDING

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Secretary, I did not intend to touch on this area. There are a number of other areas that I would like to address. But since the chairman has seen fit to do that, I would like to make an observation. It seems to me that, No. 1, we in the Congress lacked the, I think, sophistication and the political courage when it came to dealing with the thrift problems. Going back sometime ago we refused to belly up and put up some additional moneys that could have, I think, made it possible for the predecessors to the present RTC and OTC to do something to deal with some of the thrifts that have great deficiencies.

And that was the $15 billion, and I, along with Senator Garn and others advocated doing that, and I know that Treasury did as well, you did, and we didn't come up with sufficient funds. But thereafter, in FIRREA, I think we had an overreaction and it was motivated by incumbency protection, cover your backside at all cost. And you show the American people that you are going to go after those bankers and those thrift guys and you are going to give it to them regardless of the consequences.

And it seems to me that it may be, and I think it is, necessary for us to give the OTC or the RTC, any combination of the two, increased discretion and flexibility to deal with some problems that have been brought to my attention on a regular basis now by constituents, and by those thrifts out there that as a result of the lack of flexibility by OTC are finding good loans becoming bad loans, or finding that there is not sufficient time to make transitions. For example, the no-more-than-15-percent-of-capital loan to one builder: they have got a builder out there and they have got more than 15 percent and he has got it in the ground, he is halfway. And the thrifts have got to stop giving any additional money, they have got to divest and there is no time to make the transition. So now what do we have? Now we are going to have a bankrupt developer and we are going to have a bankrupt thrift. And indeed, we will take what was heretofore a good asset and endanger it.

And the litany, Mr. Secretary, I think could go on and on and on. Now, who do I think was to blame? I think we were. I think there were enough of us on the banking committees who recognized the error in some of the hard and fast rules that we applied right across the board. Let me give you another example, a bank called Long Island Savings Bank. I am going to take to the floor and start putting out some of these horror stories, because I think what we have is we lack the capacity to stand up and say, listen, not all bankers are bad, not all thrifts have done the kinds of things and have taken people's moneys and the Government moneys and misappropriated it.

And indeed, where a bank has acquired supervisory good will under a promise, under the Government saying, please, take over these ailing banks, 17 or 18 of them. This was the case in Long Island when they took over the Centerreach Bank, I think, that had probably a minus 50 percent if you were to look at its capital—minus 500—and they pump in hundreds of millions of dollars and they begin to turn it around. And it begins to earn money and now it is down to minus 30. Now OTC and RTC have no discretion and Long Island Savings Bank, a healthy bank by every standard, by its portfolio, by its work, by its earnings, prior to its acquiring at the insistence, or the regulators coming to them and giving them 20 years to write this off, now they would have something like about a minus 18 percent.

Now, it doesn't make sense to me if your people don't have the flexibility. I understand, you have somebody there that says, my God, the Congress said this, you got to hit this 3 percent or give us the capital plan to show within *x* period of time that you are going to be in compliance. But we take a good institution, soundly run, that no one is going to run any better, and place it in Government domain and necessitate a writedown, we are not going to bring in the kinds of people who are any better or any more capable because we are just not going to be able to find them. We are going to exacerbate the problem and cost the Government unnecessarily possibly hundreds of millions of dollars.

So I would just simply say, Mr. Secretary, I don't know if anyone has brought to you a sense that there is needed, I think, that your people will need some additional flexibility in dealing—I mentioned just one of the areas with one, the supervisory good will situation where you do have a well-managed bank that through no fault of its own but on the promise of the Government to give them 40 years to write down this goodwill now finds itself in the situation where it is in jeopardy. And once it becomes public that they are on the Government hit list, all of the problems of doom and gloom become self-fulfilling.

Do you see that as a problem and something in which you may come to us and ask for some legislative relief?

Secretary BRADY. Well, I think the matter of supervisory good will that you have alluded to has been a problem. We have had notice of some cases like the ones that you are talking about. That is the kind of thing we are counting on the FDIC to come forward with—some rostering of the seriousness of those problems so we can deal with it on a policy basis at the oversight board.

Senator D'AMATO. Well, I would commend it to your attention, because it seems to me that unless we can give to your people, to the FDIC, and to others sufficient authority and latitude to deal with the kind of example that I may have just spelled out to you, that indeed the American taxpayer is going to have a far greater burden than they would otherwise. I think we could look at the area of junk bonds. Everything is junk bonds are bad, terrible, the pejorative, kill them, you know. Well, we have made them bad. I am not suggesting to you that you may not be able to spell out many examples where the use of the bonds and the manner in which they were used might have been inappropriate, or certainly was not judicious.

But just to create a situation where without any discretion we force institutions to divest themselves of bonds that otherwise are performing well, and further burden those institutions, it seems to me—and I am not thinking of any one particular case—but that is not what we are looking to do. That is only going to exacerbate the toll to the taxpayer. At some point in time somebody has got to say, hey, let's take it easy, let's not just get on this roll. All junk bonds, so to speak, are not bad and that some of them were used for mighty good purposes and provided real employment and job opportunities to the 700 corporations who cannot issue investment grade quality debt. All of them then are issuing so-called junk bonds.

I would just request of you, Mr. Secretary, that if you wouldn't ask your people to come forth with those areas that need legislative relief. I think the sooner we can do it the more efficient and effective your people, the RTC—Mr. Taylor and company—can and will become in this important endeavor.

I didn't intend to touch on that, but the chairman brought up some points that I thought it would be necessary.

LEGISLATION EXPANDING SEIZURES

Mr. Secretary, in BATF, the Bureau of Alcohol, Tobacco and Firearms, there is the inability to seize cash. And 3 weeks ago this subcommittee was informed I think by Mr. Nummy, and I don't know if Mr. Nunez was there at the time—I don't think you were and it is good to see you, Mr. Nunez—that the Treasury Department was working on legislation to give the Bureau of Alcohol, Tobacco and Firearms and other Treasury agencies the authority to seize the cash that they find in the course of their arrests.

At the present time you can't do that. In some cases you have to call for other agencies such as DEA to come in and do this. The question is, has there been any progress in clearing that legislation within the Treasury Department? I would imagine Mr. Nummy or Mr. Nunez would be able to answer.

Mr. **Nunez**. Senator, we have in the last 2 weeks had meetings with all of the Treasury agencies to find out what specific requirements they would want in a new seizure law, what their existing difficulties are. We have also asked the Customs Service to consider drafting at least a proposal that would encompass all of the Treasury agencies for our review. But yes, we have met with BATF, IRS, and with Customs to discuss this.

Senator **D'Amato**. Mr. Nunez, how long before we think we can get this? This is not a complicated piece of legislation, and I understand it comes down to one policy decision, which I am not going to make public here because I am not looking to start an intramural war between one agency and another. All right? And I think you know what—do you know what I'm referring to?

Mr. **Nunez**. I think I do.

Senator D'AMATO. OK. Now, having said that, when are we going to get that legislation?

Mr. NUNEZ. Well, the legislation to give them the authority to seize cash is not, I don't think, the difficulty.

Senator D'AMATO. That is not the problem, right?

Mr. NUNEZ. That is not the problem.

Senator D'AMATO. OK. So when are we going to get it decided? Have you talked to the boss about this?

Mr. NUNEZ. We have discussed it.

Senator D'AMATO. Well, why don't you talk to the boss about it—I won't go any further—and let's get it resolved one way or the other. It has got to be with one group or the other.

Mr. NUNEZ. That's correct.

Senator D'AMATO. OK. Will you do that please and let me know? I mean, you knew I was going to ask you this question. I mean, this was not—I gave this to your people before, right? Did they tell you about this?

Mr. NUNEZ. That's correct.

WIRE TRANSFERS

Senator D'AMATO. All right. Because I didn't want you to say, you know, you hit me with a curve. I have never been able to throw a curve in any event. It is unintended when they happen.

I am drafting legislation to strengthen the hand of Treasury Department's Office of Enforcement, IRS, and the Financial Crimes Enforcement Network [FinCEN] to combat money laundering, and I would appreciate the Department's technical assistance in drafting this legislation.

Mr. Secretary, my legislation would focus on wire transfers and money transmitters, and expand the know your-customer rules for financial institutions. And actually I guess the question would be for our Assistant Secretary. I have a number of detailed questions for the record, but I would like to hear your comments today on the importance that Treasury attaches to wire transfers and the know your customer rules, because your predecessor, Mr. Martoche, at a House Banking Committee hearing said in November that recent investigations by law enforcement authorities show that, quote, Wire transfers increasingly are becoming the method of choice to launder money.

When does Treasury expect to complete its review and evaluation of the comments it has received as it relates to its advanced notice of proposed rulemaking? We would certainly like to go forward.

Mr. NUNEZ. Senator, you are correct that this has been identified as a major problem in the money laundering area. As you know, I think, we are in the process of trying to deal with this problem through a regulatory framework. There are several bills, including yours now I believe, that will take and make this a statutory fix. So we are within a month or so, as I recall, of following up on the proposal that was issued publicly, I believe last fall, to deal with this.

Senator D'AMATO. October 3.

Mr. NUNEZ. October 3, yes.

Senator D'AMATO. So you expect it in another month?

Mr. NUNEZ. Well, if the regulatory framework or scheme goes forward, yes, we are in a position to do that in the near future. However, as I said, I know that there are a number of bills that are attempting to do the same thing on a statutory basis.

Senator D'AMATO. Well, I would appreciate the Department's technical assistance in drafting this legislation. We have discussed it and I would be very deeply appreciative of that, Mr. Secretary.

Secretary BRADY. You got it.

Senator D'AMATO. Thank you. Mr. Secretary, I have a number of questions which I would like to submit for the record on behalf of Senator Domenici, so I am not going to take your time. I would say to you that I would really commend to your attention that area that I think will really give your people the latitude and some flexibility that they need in dealing with these specific cases where you have an institution that by every reasonable standard should not be placed on the endangered species list but because we, the Congress, have not given to the Department the kind of latitude necessary, you just can't make that decision. And so consequently—I repeat it again because I think it is important—I think that maybe your people would be somewhat reluctant to come and ask for it, because with that discretion goes, obviously, the ability of others to second guess you. You know, how come and why, et cetera. But I think if we are going to do a good job I think you need that, I really do. Otherwise, we are going to be burdening the American public in certain cases unnecessarily. And it is always good to see you.

Thank you, Mr. Chairman.

INDEPENDENT OVERSIGHT BOARD

Senator KERREY. Thank you, Senator.

Mr. Secretary, before we go into adjournment, I just, with the prerogative of the chair, will followup a bit more on that RTC suggestion. I do have a bill in and if you haven't looked at it, I would appreciate it if you would. It is essentially what we had talked about last year. And so without requiring you to remember what we talked about last year, the core of the idea is to give the President of the United States the authority to appoint an independent board with a strong chair, similar to what we have with the Federal Reserve.

I genuinely believe that if we created a board with that kind of statutory authority and power, that the oversight not only would be more efficient, particularly from the standpoint of policy where I think it is going to get exceedingly difficult to sort out what is good policy and what isn't good policy, and particularly to separate out those things that appear to be favors as opposed to something that might in fact be good even though it benefits someone. It gets difficult these days to do something that might benefit someone without it being described as something that is a favor to someone.

And moreover, I believe that if you had a strong chair, used a strong chair and a strong board concept, which is what my bill attempts to do, you would get much better accountability for the taxpayers. Because I just believe it is going to be exceedingly difficult for the people who ought to be responsible, people like myself who ought to be able to answer questions of the taxpayers, it would be much easier for us to get that job done.

And I do, Mr. Secretary, have a great deal of respect. I mean, if it came to be that you were chairman of that board and that was your only responsibility, I have total confidence it would get done. But I am concerned under its current structure that we are going to continue to struggle to get the job done. So I thank you for your patience in listening to this presentation.

SUBMITTED QUESTIONS

Mr. Secretary, we have additional questions from Senators DeConcini, Byrd, Inouye, Domenici, and D'Amato. We ask that you respond as quickly as possible.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

NATIONAL ADVISORY COMMISSION ON LAW ENFORCEMENT

Senator DeConcini: Mr. Secretary, two weeks ago I introduced legislation to implement the recommendations of the National Advisory Commission on Law Enforcement. You served on that Commission, Mr. Secretary, and Mr. Nummy represented you at the many strategy meetings held to formulate the recommendations. Mr. Secretary, are you familiar with the legislation I introduced which would increase entry level pay, establish locality pay, and provide enhanced retirement benefits to law enforcement personnel? If so, do you support its enactment?

Secretary Brady: Although the Department has not formally analyzed your proposal, I am aware of it. Unfortunately, problems of pay disparity with the private sector and recruiting and retention shortfalls are not limited to Treasury law enforcement officers. The Administration has offered a pay reform package that would allow Treasury to provide their law enforcement personnel with many of the benefits that your bill mandates, but with flexibility to meet special agency needs for this and other occupational groups as well. We respectfully ask your support for the Administration's bill.

DEA TRAINING NEEDS

Senator DeConcini: When Director Rinkevich of the Federal Law Enforcement Training Center came before the Subcommittee early this month, he stated that the Department of Justice had agreed to undertake a study with the Department of Treasury to evaluate the training needs of the DEA to determine whether or not those needs could be met through the consolidated training at the FLETC facilities. I think this study is important, Mr. Secretary, to give us some idea of what DEA's training needs are and determine what the costs would be if DEA were to establish a separate facility at Quantico. Do you know whether or not this study has been initiated, Mr. Secretary?

Secretary Brady: During the last two months, senior officials of the Departments of Treasury and Justice have been in contact regarding the question of a joint study of the Drug Enforcement Administration's (DEA) training facility requirements. The two departments have agreed to proceed on a study and, recently, the initial meeting of the study group was held, including representatives from Federal Law Enforcement Training Center, the Federal Bureau of Investigation Academy, and DEA. David Nummy, Treasury's Deputy Assistant Secretary, Departmental Finance and Management, and Robert Diegleman, Director of Management and Planning for the Justice Department's Management Division, will serve as co-chairman for the joint study.

Senator DeConcini: Do you know the scope of this study? In other words, will Treasury only look at existing FLETC facilities to determine whether or not they could accommodate the DEA needs, or will the study also be reviewing expansion of FLETC or establishment of another FLETC satellite facility elsewhere?

Secretary Brady: The Treasury--Justice joint study will focus on a variety of issues involving workload measures, training costs, facility requirements, expansion plans and costs, and policy related matters at the Quantico and FLETC sites. With respect to FLETC, the study will examine the capabilities of FLETC to accommodate DEA training needs within FLETC's existing three sites: Glynco, GA, Artesia, NM, and Marana, AZ. Further expansion of current FLETC sites or creation of another site under FLETC auspices, if necessary, will be considered when the results of the study are known.

Senator DeConcini: I do not believe the study should be limited to the existing FLETC facilities or to Quantico. I believe Treasury should review the training needs of DEA in the context of economics and whether or not it would be more economical to provide the training through the consolidated concept. Do you agree, Mr. Secretary?

Secretary Brady: As this Subcommittee is aware, the Treasury Department is a strong advocate of the concept of consolidated training for Federal Law Enforcement agencies through the FLETC. Over the relatively brief period of its existence, the FLETC has proven that real cost economics and high quality training can be provided to multiple law enforcement agencies under the leadership of a single agency. To maintain peak efficiencies and to minimize costs through consolidated training, however, Treasury is of the view that the number of separate training locations for law enforcement training should be strictly limited.

TREASURY FORFEITURE FUND

Senator DeConcini: Mr. Secretary, I have asked your staff to draft some legislation to establish a Treasury assets forfeiture fund. I believe the Treasury enforcement bureaus like BATF, IRS and the Secret Service, who participate in investigations resulting in the seizure and ultimate forfeiture of assets should be allowed to share in the distribution of the proceeds from those assets just as Customs and Justice presently do. What is the status of that legislative proposal? Can you tell the Committee what your position on the creation of a Treasury forfeiture fund would be?

Can you give me any statistics on the amount of funds which are presently being shared with other agencies as a consequence of the fact that some of your agencies do not have their own forfeiture fund?

Would you support legislation establishing a separate Treasury fund for Secret Service, IRS and ATF?

Secretary Brady: Mr. Chairman, Assistant Secretary Nunez has been working with Treasury's law enforcement bureaus on this issue. There are a number of options which they and their staffs have been considering, some of which we have discussed preliminarily with the Committee's staff. While the idea of a Treasury Fund is attractive, I want to consult with Justice, ONDCP and OMB before committing to any one course of action.

I also want to make sure that whatever we ultimately decide to do is both efficient and fair. There are a number of legal and policy issues which we have identified that need to be considered thoughtfully and discussed thoroughly within the Department as well as in consultation with the members of this Committee. I am more concerned, as I am sure you are, with the quality of the product rather than the alacrity of its production. It is a serious endeavor which will have substantial consequences for the future, and I sincerely appreciate your continued support in this matter.

In response to your question of statistics related to the amount of funds presently shared with other agencies, ATF investigations (10/1/89 - 3/31/90) that led to DEA or State and local seizures and subsequent monies or property being placed in the Justice Department Asset Forfeiture Fund total $80 million dollars for that period.

IRS has placed approximately $110 million in the Justice Asset Forfeiture Fund, (July 1988 - present), with authority to use $1.49 million of it. (Note: 85-90% of the $110 million was cash, the remaining amount was property, real estate, etc.)

Operational Alliance

Senator DeConcini: I know that BATF currently has 38 personnel assigned to Operation Alliance. With the increasing number of firearms violations on the border, I am told that BATF requested an additional 30 positions to be devoted to Operation Alliance in Fiscal Year 1991. Why were these funds denied by Treasury?

All other things being equal, do you believe the funding of an additional 30 BATF personnel for Operation Alliance would be a useful expenditure of funds, particularly in light of the high intensity designation?

Secretary Brady: The Department did not deny this initiative. However, due to the many competing program priorities and the pressure to achieve deficit reduction, I am sure that several deserving initiatives were denied at higher levels of review. I should point out that other South West Border initiatives were proposed, such as in the Customs Service budget.

FY 1991 Drug Funding

Senator DeConcini: Mr. Secretary, as you know, this subcommittee has completed its hearings on the Fiscal Year 1991 budget requests of the Customs Service, ATF and FLETC. For an Administration which says it is committed to the Nation's War on Drugs this commitment is certainly not evident when you review the FY 1991 drug enforcement budgets of the Treasury bureaus. In FY 1991 Customs will lose 757 positions from the FY 1990 enacted level and BATF will lose 185 positions due to pay absorption and the increased costs of administratively uncontrollable overtime (AUO). During the Customs hearing, Commissioner Hallett stated that despite the fact that Customs is losing 757 positions, it would not affect Customs' ability to carry out its drug enforcement for commercial operations activities. She said more is not necessarily less. I am not sure that is the case.

Director Higgins admitted that his job in apprehending armed career criminals and stopping the flow of illegal firearms from being exported would be very difficult with a loss of 185 positions.

When Drug Czar Bennett came before this subcommittee he stated that the reductions due to pay and AUO would not be borne in the drug programs, it would have to come from the non-drug related programs. I asked Commissioner Hallett and Director Higgins what would be the affect on their ability to carry-out programmatic requirements if they had to take all the cuts from non-drug related programs. Both stated it could not be done without seriously hurting other activities.
Mr. Secretary, I don't understand how these agencies can be expected to carry-out the jobs that you, the Drug Czar and the President expect and want with the personnel reductions planned in FY 1991. Have you talked to your bureau heads and if so, have they told you what problems they will have in fiscal year 1991 if they are forced to live with the budget proposed by the President?

Mr. Secretary, I guess the point I would like to make is that you can't just fund a Customs drug agent. There is no such thing. Customs and BATF agents handle both drug and non-drug cases, so if you make a reduction in staffing levels for agents or inspectors, you are, in effect, reducing your strength in the Drug War.

Secretary Brady: I understand your concern but would like to emphasize that the Drug Control Strategy is fully funded at the levels proposed in the President's budget. All of the projected accomplishments and workload measurements displayed in these documents can be achieved based upon the funding levels proposed. In fact, with the additional funding to be provided through the Special Forfeiture Fund, we in Treasury will be accomplishing even more than what the Strategy proposes.

Special Forfeiture Fund Treatment

Senator DeConcini: Mr. Secretary, myself, Senator Domenici, Senator Hollings, and Senator Rudman sent a letter to the Drug Czar suggesting that instead of using the estimated $128 million in the special Forfeiture Fund for new initiatives like a National Drug Intelligence Center, that the special Forfeiture Fund should be used to cover the costs of AUO for all enforcement agencies, like Customs, BATF, DEA and Border Patrol, who are being expected to absorb the increased costs of AUO. Do you know whether or not the Drug Czar expects to give the same treatment to Justice agencies for AUO and pay from the Special Forfeiture Fund?

I am pleased if, in fact, the Drug Czar has recognized the staffing constraints placed on the Treasury bureaus involved in drug enforcement and intends to do something about it. It seems to me that we shouldn't be funding new initiatives until we take care of the salaries of those individuals who are on the front lines of this drug war. But it doesn't sound to me like the funding plans you are talking about will take care of the entire problem.

Secretary Brady: I believe the Drug Czar plans to use the Special Forfeiture Fund to cover drug-related absorptions within the FBI, INS and the Organized Crime Drug Enforcement taskforces.

Senator DeConcini: Do you know how many FTE's in the Treasury bureaus proposed for reduction in FY 91 would be restored if funds are provided from the Special Forfeiture Fund? (AUO position reductions total 485 broken down as follows: ATF 97, Customs 257, IRS 131, Secret Service 0).

Secretary Brady: The additional funds will allow us to restore 314 FTE in Customs, 78 FTE in ATF, and 83 FTE in IRS.

Senator DeConcini: I don't know how you can fund just the drug enforcement activities of an agent or criminal investigator. For example, a Customs agent handles drug and non-drug activities. You really can't separate the two. So while I understand why the Drug Czar is concerned about funding only the percent of Customs, ATF, or IRS' drug enforcement-related activities, unless you restore funds to all of the positions, it seems to me that you still end up with staffing reductions which will have a negative affect on our ability to intensify antidrug efforts. Wouldn't you say this is true, Mr. Secretary?

So how many positions slated for reduction in the Treasury drug enforcement bureaus will still not be funded in FY 91 under this new arrangement?

Secretary Brady: As a result of pay related absorptions, reductions of 147 FTE will occur in Customs, 91 FTE in ATF, and 176 FTE in IRS. But I would point out that overall FTE levels for Customs will remain stable from FY 1990 to FY 1991, while ATF and IRS will have an net increase in staffing overall.

Senator DeConcini: I have not received a reply but I understand from your testimony that you have had a conversation with the Drug Czar on this topic. Do you want to give the committee some specific details about that conversation?

Does this mean that the Drug Czar now plans to provide some of the increased costs of AUO and pay absorption for certain Treasury bureaus but not the entire amount in Fiscal Year 1991 from the Special Forfeiture Fund?

Have those numbers been calculated yet?

Secretary Brady: We have met with the Drug Czar's office and they have agreed that a portion of their Special Forfeiture Fund will be made available to help cover drug related personnel costs that otherwise would have been absorbed.

The Drug Czar decided that the Special Forfeiture Fund will be used to cover drug related costs only. The Drug Czar's staff questioned whether it was legal to use Special Forfeiture Fund monies to cover non-drug costs and wished to ensure that it was that sufficient funds remain available to cover an ADP initiative and the National Drug Intelligence Center.

It has been agreed that the Special Forfeiture Fund will provide $18.9 million for Customs, $3.9 million for ATF, $3.1 million for IRS, and $0.09 million for the Secret Service.

Customs Reprogramming

Senator DeConcini: Mr. Secretary, now that we have discussed the FY 1991 funding situation, I want to go back to the current fiscal year. I want to specifically talk about the Customs Service. As you know, the Committee provided $28 million and 435 positions for the increased examinations of cargo containers, as requested by President Bush. Due to pay absorptions, increased health benefit costs, and the sequester, Customs told the subcommittee earlier this year that it could only fund $3 million of the $28 million and provide only 59 K9 teams. Similar reductions are being made in the air program staffing levels. I recognize that this is not entirely Treasury's fault, but I am concerned about the fact that we have funded initiatives requested by your President which, in fact, will not be adequately implemented in FY 1990. Further exacerbating the situations is that there is no provision in the FY 1991 budget to cover the FY 1990 shortfall.

This subcommittee just recently approved a reprogramming request for FinCEN and I understand $5.6 million is still available for Customs' enforcement activities. I hope these funds will be used to restore some of the reductions planned in inspection and the air staffing. Can you tell me how you plan to reallocate the remaining $5.6 million?

If these additional positions are funded in fiscal year 1990, what will be the impact on your fiscal year 1991 budget? Your FY 91 budget does not contain sufficient funds to annualize these costs in '91, does it?

Secretary Brady: During the month of May, the Department's Office of Finance works with the agencies on a mid-year financial review. During this review, the agencies reassess their financial plans in light of actual circumstances. Our intention is to wait until we have completed our review of Customs' mid-year financial status before we alert the subcommittees on how we intend to allocate the $4.3 million. We have chosen to act conservatively on this matter and to inform the subcommittees as to all adjustments we may need to make during FY 1991.

Financial Crimes Enforcement Network

Senator DeConcini: As I stated earlier, the subcommittee recently approved the Department's request for a reprogramming of funds for FinCEN. Mr. Secretary, I can tell you that because of the way this request was handled from the beginning, I feel a need to be cautious before I decide whether or not FinCEN can actually produce the results anticipated. We did approve the request, but I would like to take this opportunity to tell you face to face that I believe for this program to work it is critical that Treasury secure the personnel and participation commitments from other law enforcement agencies. I believe it is the key to the eventual success or failure of FinCEN. Is Treasury working on trying to shore up those commitments?

In reference to the way in which you propose to fund FinCEN in the future, I believe this should be a separate account within the Office of the Secretary. If this activity is truly a Treasury activity and not specific to Customs, I believe it should be displayed as such. What would your position be on the creation of a new account for FinCEN?

Secretary Brady: The Treasury would not oppose the creation of a new account.

Contracting Out of Mint Police

Senator DeConcini: The Office of Management and Budget has mandated an A-76 study for the U.S. Mint which contemplates the contracting out of U.S. Mint police to the private sector. It is my understanding that the Mint in currently in the process of a request for proposal to determine what the estimated costs would be to hire contract enforcement personnel to Mint facilities like Fort Knox. I don't know about you, Mr. Secretary, but whether or not the contracting of private security will save some money, I am concerned about the message we may be sending to the American public on the importance of the Mint facilities. I also understand that there are some security implications involved. Are you familiar with this A-76 study and if so, what is your position on the contracting out of security for Mint facilities?

Secretary Brady: I am aware the Mint has been proceeding with an A-76 study of security operations as mandated by the Office of Management and Budget. Continuing the study does not mean that Mint security operations will be contracted out. The Department supports the Administration in its efforts to review Government commercial activities to consider the cost-effectiveness of contracting with the private sector. I realize questions have been raised as to the appropriateness of contracting out Mint security operations and I share these concerns. I would point out, however, that private industry contracts for security guards for gold, silver and currency with no apparent problems, and in addition our nuclear weapons are handled by private security guards. Let me assure you, however, that every precaution will be taken to ensure protection of the assets under the jurisdiction of the Mint is maintained.

Payroll System

Senator DeConcini. In FY 91, your budget assumes and increase of $5,000 for the operating expenses of the new payroll system. How far along is this project, how many bureaus are presently in the system, and when will the remainder be participating?

Dr. Combs. The Treasury Department began the conversion of payroll and personnel processing to the U.S. Department of Agriculture's (USDA) Payroll/ Personnel System in July 1988. In October 1988, the first bureau (U.S. Savings Bonds Division) was converted.

During February 1989, a Treasury Department conversion schedule was negotiated with USDA that calls for the completion of all conversion processes by June 1992 (Attachment). In accordance with that schedule, the Bureau of Alcohol, Tobacco, and Firearms was converted in June 1989, and Departmental Offices was converted in October 1989. The Bureau of Public Debt, currently completing a very successful parallel test on the USDA System, is scheduled to complete conversion in April 1990. The U.S. Secret Service will begin parallel testing in early April and will be converted by July 1990.

Future conversions include: U.S. Mint and IRS Mid-Atlantic Region (October 1990); Financial Management Service and IRS North Atlantic Region (April 1991); IRS Central and Mid-West Regions (June 1991); IRS National Office and Southeast Region (October 1991); U.S. Customs Service, Federal Law Enforcement Training Center and IRS Western Region (April 1992); and Bureau of Engraving and Printing, Comptroller of the Currency and IRS Southwest Region (June 1992).

**SCHEDULE FOR CONVERSION OF THE TREASURY DEPARTMENT
TO THE USDA PAYROLL/PERSONNEL SYSTEM
(REVISED FEBRUARY 1989)**

NON-IRS PAYROLL TRACK (BUREAUS)	CONVERSION DATE	ESTIMATED ACCOUNTS	IRS PAYROLL TRACK (REGIONS)	ESTIMATED ACCOUNTS	CUMULATIVE ACCOUNTS ON USDA
Savings Bonds	Oct. 1988	265	Open		265
Alc Tob & Firearm	Jun. 1989	3,880	Open		4,145
Departmental Offices	Oct. 1989	1,528	Open		5,693
Public Debt**	Apr. 1990	2,066	Open		7,739
Secret Service	Jul. 1990	4,473	Open		12,212
U.S. Mint**	Oct. 1990	2,226	Mid-Atlantic**	15,374	29,812
Fin Mgmt Svc **	Apr. 1991	2,495	North Atl.**	19,807	52,114
Open	Jun. 1991		Central** & Mid-West**	13,518 14,114	79,746
Open	Oct. 1991		Natl. Off. & South East**	11.494 20,413	111,653
U.S. Customs** and FLETC	Apr. 1992	19,117 423	West**	20,191	151,384
Engr & Printing		2,296			
and Comptroller of the Currency	Jun. 1992	3,332	Southwest**	22,650	179,662
GRAND TOTALS	NON-IRS = 42,101		IRS = 137,561		179,662

** Multiple Sites to be converted.

Note: Estimated account totals are as of July 1989.

Senator DeConcini. What has been the experience with this system -- has there been a marked improvement over the previous system?

Dr. Combs. The Treasury Department is very pleased with the operation of the new system and the support provided by the U.S. Department of Agriculture both during and after conversion. The system improvements that are mentioned most frequently by our bureau users include the ease of system use and the enhanced online access to a wealth of employee data.

Senator DeConcini. Why are the costs expected to increase in FY 91?

Dr. Combs. Because of the high fixed-cost base of the old personnel and payroll systems being replaced and the fact that these systems cannot be shutdown until the last Treasury employee is converted to the new system, the total costs to Treasury will continue to increase until the conversions are completed in FY 92.

During the period of conversion to the new system, Treasury is accumulating personnel and payroll operations costs of all systems, old and new, and is charging Treasury bureaus their proportional share of the total costs based on their employee population. Through this method, we are able to spread the costs of conversion proportionally between the bureaus. Also, Treasury is able to avoid the situation where the bureaus being converted late in the conversion schedule would have to assume a increasing larger share of the fixed-cost base of the personnel and payroll systems being replaced.

FY 1990 Reduction to "Other Services"

Senator DeConcini. The Fiscal Year 1991 budget request for the Departmental Offices totals $90.6 million, or $7.5 million over the Fiscal Year 1990 appropriation level. You are requesting an increase of $5 million for Salaries and Expenses and an increase of $2.5 million for International Affairs activities. Your budget justification indicates that the increased costs for pay and sequestration in FY 90 were taken from "Other Services" such as training, automated data processing, equipment and studies.

What specific initiatives funded by the Congress in FY 90 were delayed or scaled back in order to meet these increased costs?

Dr. Combs. In developing the FY 1991 President's Budget request, the effect of the sequester and increased pay cost in FY 1990 was absorbed by reducing the level of training and automated data processing (ADP) maintenance, software, and support costs.

Senator DeConcini. Has the funding for these initiatives been restored in your FY 91 request? If not, why not?

Dr. Combs. Departmental Offices retained funding for Fiscal Year 1990 initiatives. Therefore, restoration of funds in Fiscal Year 1991 was not required.

FY 1991 UNISYS COSTS

Senator DeConcini. ~~In Fiscal~~ Year 91 you are requesting an increase of $433,000 for operating expenses of the Department's UNISYS computer system. Your justification states that this system is only utilized 30 percent of the time and that the reimbursable funding provided in the past will no longer be provided because of the unreliability of the system. Your justification further states that while your new financial management system will come on line in early FY 91, the continuation of UNISYS is necessary to support historical records.

What historical records are to be maintained on the UNISYS computer system in FY 91, why can't the historical information be transferred to the new system? Do you have plans to completely abandon the UNISYS operation in the future? If so, when? If not, why not?

Dr. Combs. The historical records of Departmental Offices' accounting system will remain on the UNISYS system until Fiscal Year 1991. During early Fiscal Year 1991, the accounting system information for Fiscal Year 1990 must be closed out on its current operating system, UNISYS. It is not feasible to transfer the information to the new system for the closeout process.

After the closeout is completed, prior year open balances will be manually transferred from the UNISYS to the new system. Upon completion of the transfer of open balances, historical records on the UNISYS will then be removed. It is projected that these activities will be completed by the end of Fiscal Year 1991. Upon completion, the UNISYS computer operation will be abandoned.

Senator DeConcini. You are also requesting an increase of $44,000 for the payments to contract personnel for the computer hotline system. Is this service related to the UNISYS computer system or will it be necessary for the support of the new financial management system expected to come on line in FY 91?

Dr. Combs. The computer hotline system is not related to the UNISYS computer system or the new financial management system. This requested increase is to expand hotline contractor support services in order to adequately support users in Departmental Offices.

The computer hotline service provides office automation hardware and software services for approximately 1,200 professionals and support staff of Departmental Offices with an installed base of more than 6,500 pieces.

Senator DeConcini. Another item to be funded through your 91 programmatic increase is $62,000 for the Securities Data System. Your justification states that Phase I was funded in FY 89 and that the remaining costs associated with Phase II will be funded with this $62,000 in FY 91. Will this complete the funding necessary to support the full operation of the Securities Data System or is additional funding needed in the future?

Dr. Combs. The $62,000 requested in the FY 1991 Budget for Departmental Offices will complete the Securities Data System requirements at this time. We do not anticipate requesting additional funding for this project.

Senator DeConcini. What are the long-term costs of this project and how do the costs and benefits compare to the services provided through UNISYS.

Dr. Combs. The Securities Data System consolidated three separate UNISYS systems into one integrated database system in Oracle. This eliminated duplicate data, which ensured data consistency and enhanced information retrieval and reporting capabilities.

There are no other long term costs for this project beyond the regular maintenance programming tasks and in-house computer time associated with any large information system. The antiquated UNISYS computer could not support this consolidated Oracle database system.

Repairs and Improvements

Senator DeConcini. In FY 91, you are requesting an increase of $427,000 to demolish the cafeteria and restore the south courtyard to its original configuration. This project is not only part of your historic preservation effort, but will eliminate a major health and safety hazard.

How long has the cafeteria been recognized as a fire and safety hazard?

Dr. Combs. The cafeteria was recognized as a fire and safety hazard in approximately 1985.

Senator DeConcini. Why have you waited so long to undertake corrective work?

Dr. Combs. Corrective action could not commence until the construction of the new Treasury Annex cafeteria had been completed. With this construction complete, Departmental Offices can now undertake the necessary action to remove this deteriorated structure.

Senator DeConcini. If the cafeteria is known to be infested with rodents, has it met the standards to withstand a health inspection?

Dr. Combs. The cafeteria has met the standards of the health inspections. However, on-going, weekly exterminations using both traps and chemical poisons are needed to maintain the health inspection acceptance level.

Senator DeConcini. Where will this project place Treasury vis-a-vis the completion of the overall historic effort?

Dr. Combs. The historic preservation of the Main Treasury Complex is ongoing. Presently, Departmental Offices is addressing repairs and improvements, including historic preservation, through our Ten-Year Repairs and Improvements Plan. This plan is reviewed and updated annually to address future building needs within given funding constraints.

Senator DeConcini. How much additional funding is required in the future for historic preservation and for what purposes?

Dr. Combs. The attached Repairs and Improvements Plan addresses Departmental Offices building needs from 1986 through 1996. The attached plan identifies projected costs. Because the historic preservation of the Main Treasury Complex is ongoing, we anticipate that our efforts will extend beyond 1996.

MAIN TREASURY AND ANNEX BUILDINGS
SUMMARY OF REPAIRS AND IMPROVEMENTS PROJECTS

Funds in Thousands

	Funds		Funds		Funds
FY-86 APPROPRIATION		FY-90 REQUEST		FY-94 con't	
Annex Renovation Design	$ 683	South Plaza & Fence Repair	$ 445	West Steps Repairs Main Treasury Pending FY-90 Survey	-
FY-87 APPROPRIATIONS					
Retrofill Seven P.C.B. Transformers	550	A-E Services (Main Treasury Roof & West Steps Survey)	128	Repair North & East Fence	$ 265
Asbestos Removal at Two Steam Rooms	50	FY-91 PLAN			
Chiller Repairs & Tower Maintenance	50	Remove Main Treasury Cafeteria & Restore South Courtyard	1,000	Asbestos Removal Main Treasury A/C Ducts	200
		FY-92		A-E Survey Electrical Distribution System Main Treasury	120
FY-87 SUPPLEMENTAL		Hamilton Place Sidewalk Repair	175		
Annex Renovation	5,000	Fifteenth Street Steps Repair	165		
FY-88 APPROPRIATIONS				FY-95	
Roof Repairs	258.5	FY-93		Construct New Blind Stand Main Treasury	50
Asbestos Removal	220	Annex Alley Improvements	350		
Replace Freight Elevator - Annex Dock	94.5	Annex Loading Dock & Leveler Improvements	160	FY-96	
FY-89 APPROPRIATION		FY-94		Upgrade Electrical Distribution System Main Treasury Pending FY-94 Survey	-
Fifteenth Street Sidewalk Improvements	573	New Roof/Roof Repairs Main Treasury Pending FY-90 Survey	-		

Payroll System

Senator DeConcini. In FY 91, your budget assumes an increase of $5,000 for the operating expenses of the new payroll system.

Dr. Combs. Departmental Offices is requesting a decrease, not an increase for the payroll system in Fiscal Year 1991. Although we are requesting an overall net increase for "Other Services", this includes a decrease of $5,000 in the Salaries and Expenses Appropriation and a decrease of $3,000 in the International Affairs Appropriation. These decreases reflect savings accruing from conversion to the new payroll system.

Senator DeConcini. How far along is this project, how many bureaus are presently in the system, and when will the remainder be participating? What has been the experience with this system -- has there been a marked improvement over the previous system?

Dr. Combs. The Treasury Department began the conversion of payroll and personnel processing to the U.S. Department of Agriculture's (USDA) Payroll/Personnel System in July 1988. In October 1988, the first bureau, the U.S. Savings Bond Division, was converted.

During February 1989, a Treasury Department conversion schedule was negotiated with USDA that calls for the completion of all conversions processed by June 1992. The attached schedule provides a summary of the conversion.

The Treasury Department is very pleased with the operation of the new system and the support provided by the USDA both during and after conversion The system improvements that are mentioned most frequently by our bureau users includes the ease of system use and the enhanced on line access to a wealth of employee data.

SCHEDULE FOR CONVERSION OF THE TREASURY DEPARTMENT
TO THE USDA PAYROLL/PERSONNEL SYSTEM
(REVISED FEBRUARY 1989)

NON-IRS PAYROLL TRACK (BUREAUS)	CONVERSION DATE	ESTIMATED ACCOUNTS	IRS PAYROLL TRACK (REGIONS)	ESTIMATED ACCOUNTS	CUMULATIVE ACCOUNTS ON USDA
Savings Bonds	Oct. 1988	265	Open		265
Alc Tob & Firearm	Jun. 1989	3,880	Open		4,145
Departmental Offices	Oct. 1989	1,528	Open		5,693
Public Debt**	Apr. 1990	2,066	Open		7,739
Secret Service	Jul. 1990	4,473	Open		12,212
U.S. Mint**	Oct. 1990	2,226	Mid-Atlantic**	15,374	29,812
Fin Mgmt Svc **	Apr. 1991	2,495	North Atl.**	19,807	52,114
Open	Jun. 1991		Central** & Mid-West**	13,518 14,114	79,746
Open	Oct. 1991		Natl. Off. & South East**	11,494 20,413	111,653
U.S. Customs** and FLETC	Apr. 1992	19,117 423	West**	20,191	151,384
Engr & Printing and Comptroller of the Currency	Jun. 1992	2,296 3,332	Southwest**	22,650	179,662
GRAND TOTALS	NON-IRS - 42,101		IRS - 137,561		179,662

** Multiple Sites to be converted.

Note: Estimated account totals are as of July 1989.

Office of Foreign Assets Control

Senator DeConcini. I am very pleased to see that your 91 Budget includes increased funding for the Office of Foreign Assets Control, and that the '91 budget will maintain the base program increases in staffing and funding provided in FY 90.

What is the present staffing level of OFAC and can you tell the Committee if you anticipate reaching a level of 40 FTES by the close of the fiscal year?

Dr. Combs. As of April 1990, the OFAC staffing level is 22 positions. OFAC is actively recruiting additional enforcement and compliance staff and requesting completion of appropriate background investigations with the intention of achieving the mandated staffing level of 40 positions by the close of the fiscal year. The additional staff will be used, as directed, to strengthen enforcement and compliance and to promote a better understanding of U.S. economic and trade sanctions.

Senator DeConcini. Are detailees still assigned to this office and, if so, can you provide a listing of detailees by source?

Dr. Combs. At the time the additional funding and staffing were directed, seven temporary/detail employees were assigned to OFAC. Three are still assigned to the office, two from the Customs Service and one funded by the Bureau of Alcohol, Tobacco and Firearms.

Senator DeConcini. Will detailees continue to be utilized in Fiscal Year 1991? If so, what amount from which agencies?

Dr. Combs. OFAC does not anticipate continuing to utilize detailees in Fiscal Year 1991.

Senator DeConcini. Can you please tell the Committee what effects, if any thus far, have the additional staffing had on OFAC's ability to carry out its job in FY 90?

Dr. Combs. The current OFAC staffing level is 22 positions, up from 18 positions. In addition, OFAC has made tentative selections or has selection certificates for an additional 12 positions. The future increase in staff will enable the office to undertake more comprehensive enforcement of U.S. sanctions, improve regulatory compliance, and enhance public awareness of sanctions prohibitions, as directed by the Senate appropriations language.

Senator DeConcini. What impact have the events in Eastern Europe and Panama had on the workload of OFAC?

Do you expect the workload to increase, decrease or stay the same?

Dr. Combs. In the short term, events in Eastern Europe have not had a significant impact on OFAC's workload. The change in Panama sanctions, however, has resulted in an increase, in recent months, in OFAC's workload requiring the reassignment of OFAC staff from other priorities to (1) ensure the proper unblocking and transfer to the new Government of Panama (GOP) assets blocked in the United States; (2) license and monitor the transfer of funds blocked on individual corporate books to the GOP; (3) conduct post-sanction audits and compliance reviews of U.S. companies operating in Panama to ensure compliance with the sanctions; (4) conduct investigations of sanctions violations and take enforcement action where necessary; (5) address the issue of GOP payment of claims to U.S. creditors; and (6) coordinate with GOP officials to accomplish above responsibilities, ensure proper crediting of U.S. persons for payments, assure the availability to U.S. companies of a fair and impartial dispute resolution mechanism to handle disputes concerning obligations, and assist in OFAC enforcement of the Cuba Sanctions Program and identification of Cuban front companies operating in Panama and worldwide to circumvent the Cuba embargo.

Senator DeConcini. Are there any responsibilities and duties carried out by OFAC which cannot be met due to a shortage in funds or staff? Please explain.

Dr. Combs. OFAC wishes to replace outmoded automated data systems equipment but has been unable to do so due to insufficient funding in Departmental Offices.

Senator DeConcini. The Office of Foreign Assets Control once had a staff which included criminal investigators to carry-out enforcement-related investigations. Will any of the 40 FTES the Committee funded in FY 90 include 1811 agents? If no, why? If yes, how many?

Dr. Combs. We are currently reviewing OFAC's request for 1811 agents.

Senator DeConcini. How can the Office of Foreign Assets Control be expected to properly carry-out its enforcement function if it is not assigned a minimum number of 1811 agents to investigate violations of the law?

Dr. Combs. The ability to perform effectively the enforcement function is key to the successful delivery of OFAC programs and the achievement of significant enforcement results. We are currently reviewing OFAC's request to include 1811 criminal investigators on its staff to fully investigate violations of law.

International Affairs

Senator DeConcini. The proposed Fiscal Year 1991 increase for the Office of International Affairs is $2.507 million from the FY 90 enacted level of appropriations. Most of the increase is for inflationary costs ($639,000) and for a survey of foreign portfolio investment in the United States which is expected to cost $150,000 in FY 91. Your justification states that these surveys are required by law to be conducted every five years. I would assume that foreign investments are changing dramatically. Once completed, can you please forward a copy of your survey results to the Committee?

Dr. Combs. We will be most happy to provide copies to the Committee.

Senator DeConcini. How long do you expect this survey to take?

Dr. Combs. We hope to complete the survey by December 1992.

Senator DeConcini. Will this work be fully contracted out or will some of the work be done in-house?

Dr. Combs. Almost all work will be done in-house, by permanent and temporary staff. Resources will be required also for data entry, automated data processing contracting, commercially-prepared data tapes, printing and supplies.

Senator DeConcini. What impact did the absorption of the FY 90 pay costs and sequester have on the International Affairs account in FY 90?

Dr. Combs. The Fiscal Year 1990 cost of the Fiscal Year 1990 pay raise was absorbed in the Rent, Communication and Utilities and Equipment object classifications. The primary area which was reduced was the payment to the Working Capital Fund, where the costs were less than previously anticipated. In addition, computer equipment purchases will be curtailed to accommodate the balance of the pay raise costs.

To minimize the impact of sequester on important Departmental Offices operations, a reprogramming is being proposed to direct the sequestered amount against the Other Rents, Communications and Utilities object class for telecommunications services. Funds in other object classifications were realigned based on actual Fiscal Year 1989 experience and revised Fiscal Year 1990 requirements.

Computer Support Costs

Senator DeConcini. In FY 91, I see that certain costs for the UNISYS operations and hot line will be borne by the International Affairs activities. How were the operating costs to International Affairs for these systems arrived at?

Dr. Combs. The International Affairs portion of UNISYS and hot line costs was determined according to projected full-time equivalent (FTE) positions funded by the International Affairs appropriation. In other words, usage of and payment for these services is based on the percentage of International Affairs FTE when compared with total Departmental Offices' FTE.

Senator DeConcini. You are also requesting $158,000 for replacement of the Wang computer system which supports the intelligence function. Your justification states that because of funding shortfalls, replacement of the system was delayed. Was funding for this project ever requested of the Congress? If not, why did you wait so long before a crisis situation to request funds for replacement purposes?

Dr. Combs. Funding for the Wang computer system was never previously requested of Congress. Although we were aware of the systems potential problems, we requested higher priority items in our prior year funding requests.

Absorption of Mandatory Pay and Administratively Uncontrollable Overtime Costs

Senator DeConcini. The Fiscal Year 1991 budget proposes that the Department of Treasury absorb $71,410,000 in increased pay costs and, in addition, that Treasury's law enforcement bureaus absorb $30,306,000 in administratively uncontrollable overtime costs.

All Treasury bureau budgets reflect programmatic reductions as a result of full or partial pay absorptions, i.e., 50 percent of the Fiscal Year 1991 cost of the proposed 3.5% Fiscal Year 1991 cost of living increase and Senior Executive Service pay costs. The Departmental Offices accounts are the only Treasury accounts reflecting the full amount of these increased pay costs. It is our understanding that Treasury Departmental Offices' initiatives were reduced as opposed to taking base reductions and that the other Treasury bureaus opted not to do this.

1. Which Fiscal Year 1991 Departmental Offices' initiatives were reduced to accommodate the full amount required to fund Fiscal Year 1991 increased pay costs?

Dr. Combs. Departmental Offices reduced its initiative for automated information systems to accommodate the full amount required to finance the Fiscal Year 1991 pay costs.

Office of Foreign Assets Control

Senator DeConcini. Of the 40 full-time equivalent positions funded by the Congress for the Office of Foreign Assets Control under the Assistant Secretary for Enforcement in Fiscal Year 1990, are all of these positions under the direct supervision of the Director of OFAC?

Dr. Combs. All of the 40 positions are allocated to the Office of Foreign Assets Control (OFAC) and, for the most part, will be under the direct and immediate supervision of the Director of OFAC. As a result of increased staff activity, attorneys may be hired to provide appropriate legal support. Under Treasury Order, these attorneys will be under the General Counsel's supervision.

Senator DeConcini. Can you give me your assurance that these positions will be for the Office of Foreign Assets Control for enforcement and compliance operations only and will not be diverted to other functions?

Dr. Combs. These positions are allocated to enforcement and compliance operations.

Senator DeConcini. What about for Fiscal Year 1991? Are the 40 positions included in the President's budget specifically allocated to the Office of Foreign Assets Control and under the direct supervision of the director of that Office?

Dr. Combs. In FY 1991, these positions will be specifically allocated to OFAC within the Office of the Assistant Secretary for Enforcement and under the direct supervision of the Director of OFAC.

QUESTIONS SUBMITTED BY SENATOR BYRD

EARLY RENEWAL OF THE LEASE AT THE PARKERSBURG, WEST VIRGINIA BUREAU OF THE PUBLIC DEBT BUILDING

Senator Byrd: The General Services Administration (GSA), in response to my request, has been working with the Bureau of the Public Debt to clarify the specific building improvements requested by the Bureau. At last year's Bureau of the Public Debt hearing, the Commissioner indicated that he had informed GSA that the Bureau plans to continue to use the Parkersburg facility, that it is pleased with the lessor's performance, and that there are no plans to relocate the over 1,100 Public Debt employees. What is the latest status of the early renewal of the lease agreement of the Bureau of the Public Debt facility in Parkersburg, West Virginia? I am advised that the lease package is currently at the GSA Regional office in Philadelphia and about to be sent to the GSA office in Washington, D.C. Where does this fit in the schedule of events? May I have your assurances that you will keep me fully informed on this matter?

Secretary Brady: The General Services Administration advises that negotiations are nearly concluded with Leased Housing Developers Inc., the owners of the facility which houses Public Debt's savings bond operation in Parkersburg, West Virginia. It is anticipated that a new 10-year lease will be signed within the next few weeks. We will notify you when the lease is signed or advise you of any unforeseen difficulties which may complicate execution of the new lease.

Martinsburg Computer Center

Senator Byrd. The report accompanying the FY 1990 Treasury, Postal-Service Appropriation bill included, at my request, language urging the Internal Revenue Service (IRS) to work closely with the General Services Administration (GSA) to expedite the additions underway and planned at the IRS Computer Center in Martinsburg. What concrete steps has the IRS taken to comply with this directive? What are the long-term space needs of the IRS in Martinsburg and what are the significant milestone events and schedule for completion of the projects?

Mr. Brady. The IRS has been working closely with GSA to develop the specifications for the IRS Computing Center Annex in Martinsburg. A prospectus has been developed for this project and has been forwarded to the Office of Management and Budget (OMB) for approval. This is an "out-of-cycle" prospectus and not included in GSA's FY 1991 Capital Improvement and Leasing Program. The tentative date for the package to be forwarded to Congress is May 1, 1990. GSA regulations require Congressional approval prior to proceeding with this project.

IRS is still in the process of determining its long range space requirements. Once this has been accomplished, this informtaion will be provided to you.

QUESTION SUBMITTED BY SENATOR INOUYE

Investor Information Phone Numbers

Senator Inouye: I am aware that the Department of the Treasury does not currently operate toll free investor information numbers in any of the 50 states. It is my understanding that it is within an agency's prerogative to allow states access to the toll free numbers. Please provide the Committee with a cost estimate of the implementation and maintenance of toll free numbers of the Department's customers.

Secretary Brady: The Treasury Bureau of the Public Debt does not currently have toll free investor numbers. Implementing and maintaining a nationwide toll free system would cost $1.2 million for Treasury bill, note and bond inquiries and $80,000 for Savings Bond inquiries, plus approximately $439 thousand for salaries.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

PAY COMPETITIVENESS

SENATOR DOMENICI: What personnel recruitment and retention problems are not being addressed by special pay rates. What do you recommend to address these problems?

SECRETARY BRADY: The Federal personnel system, in general, is too inflexible, particularly in the area of recruitment. Excessive procedural requirements cause delays in the hiring process. The delays often result in the loss of potential hires to the private sector who can make immediate job offers. An array of application forms and rigid examining procedures confuse the public and contribute to a widespread disinterest in Federal employment.

Some actions that are recommended for OPM consideration in addressing these systemic problems are:

- Authorization of direct hire authorities for all positions that have special pay rates.
- simplifying the Federal employment application process; and
- exploring new employee programs such as flexible work sites.

Financial Crimes Enforcement Network

Senator Domenici: Treasury has indicated that the FY 1991 proposed budget for FinCEN is $16.188 million and 196 Full-time equivalent positions.

When can the subcommittee expect to receive a detailed budget justification for FinCEN for FY 1991?

Secretary Brady: A FY 1991 budget justification for FinCEN will be sent to the Appropriations subcommittees during the first week in May.

Senator Domenici: The FY 1991 funding for FinCEN is now included in the Customs Service budget. When FinCEN was proposed we indicated our view that this should be a full Treasury department rather than a Customs Service program.

Why was the funding included in the Customs Service's FY 1991 budget? Would you support the establishment of FinCEN as a separate budget account for FY 1991?

Secretary Brady: The funding was originally included in the budget of the Customs Service when the Drug Strategy was presented in September, 1989. At that time, it was felt that Customs was in the best position to provide administrative support for this new undertaking. Additionally, it was envisioned that FinCEN's operations would build off of existing operations in Customs' existing Financial Intelligence Branch. The Treasury would not oppose the creation of a new account for FinCEN.

Custom's Reprogramming

Senator Domenici: In light of the budgetary shortfalls faced by the Customs Service in Fiscal Year 1990, the subcommittee has asked Treasury to submit a reprogramming request for the use of $4,613,000 previously appropriated for Customs' money laundering investigations and other enforcement activities.

When will the Department submit that request to the subcommittee for its consideration?

Secretary Brady: During the month of May, the Department's Office of Finance works with the agencies on a mid-year financial review. During this review, the agencies reassess their financial plans in light of actual circumstances. Our intention is to wait until we have completed our review of Customs' mid-year financial status before we alert the subcommittees on how we intend to allocate the $4.6 million. We have chosen to act conservatively on this matter and to inform the subcommittees as to all adjustments we may need to make during FY 1991.

Base Program Reductions

Senator Domenici: What is the justification for presenting budgets for the other bureaus which reflect funding of new initiatives but require base program reductions to absorb mandatory pay cost increases? Isn't this unrealistic? When faced with this situation, we have found that the bureaus delay or cutback funding for new initiatives in order to avoid funding reductions in base program levels which would result in reductions in force.

Secretary Brady: At the time that the budget was prepared, the Administration budgeted for increased AUO costs similarly to how pay raises are normally handled. Traditionally, agencies are instructed to absorb increased costs within their existing base. This year, many of our agencies did not have sufficient funds to cover these increases and had to show base FTE reductions in order to cover the absorption. Typically, decisions on how to budget for pay raises are made in a different context from decisions concerning new initiatives.

Preparing a budget in the method just described may indeed result in a confused presentation in which an agency is simultaneously showing an increase and a decrease in the same budget activity.

It is not necessarily unrealistic to propose base absorptions for these costs, but the impacts should be clear and recognized by all parties involved. After all, initiatives may be more cost effective than base programs, and bureaus may reevaluate any marginal programs.

In the recent past, legislation to increase pay has routinely mandated that the added costs be absorbed by the bureaus. The precise impact of these reductions, especially upon staffing levels, was not apparent. Treasury's request makes visible any staffing impacts associated with the proposed absorptions.

GATT Round and Financial Services

Senator Domenici: Progress is being made on the GATT round of negotiations. Financial services is one important area.

1. What is the likelihood that financial services will be covered by GATT?

2. Do you expect a separate agreement dealing with financial services outside the GATT framework?

3. What are the major issues being addressed?

Secretary Brady: The United States is committed to seeking an agreement on financial services in the Uruguay Round negotiations. Most other countries also support this objective. It is unclear at this point what relationship an agreement covering financial services, or for that matter other services, will have to the institutional arrangements of the GATT. The key issue under discussion is how to craft obligations that accomplish meaningful liberalization in the financial area, while safeguarding prudential regulation of the financial system. Areas for liberalization include conditions pertaining to national treatment, market access, cross-border sales, and transparency.

ONE REGULATOR OF THE STOCK AND FUTURES MARKETS

Senator Domenici: One Brady report conclusion was that the equities market in New York and the futures market in Chicago functioned as one market; that trading stock market index futures added to market volatility then and now. The recommendation was that the U.S. should have one regulator -- the Fed. The Senate is scheduled to take up the CFTC reauthorization sometime this year and it is expected that an amendment will be offered to transfer the regulatory jurisdiction for both stock and index futures from the CFTC to the SEC. Would you please give me the pros and cons on such a proposal?

Secretary Brady: We need to embrace a unified regulatory framework:

- to promote innovation and competitiveness by avoiding jurisdictional squabbling over the status of "hybrid" products like index participants;
- to deal with intermarket enforcement problems like frontrunning and market manipulation;
- to coordinate market mechanisms, including unharmonized margin requirements, uncoordinated circuit breakers, inconsistent short selling rules, and discrete clearance and settlement systems, which taken together foster excessive volatility, heighten risk, and drive investors away from markets; and
- to enable U.S. regulators to speak with one voice to foreign governments.

The other countries with major securities markets do not fragment their regulation as we do. Japan, the United Kingdom, and France, which together with the United States account for 90 percent of global futures trading, recognize the "one market" reality -- each county assures that regulation of stocks, options, and futures is coordinated by a single regulator. Yet, here in the United States, by reason of historical accident, the SEC regulates stocks and stock options, while the CFTC regulates stock index futures.

We believe that the minimum course of action would be to unify regulation of stocks, stock options, and stock index futures under the agency with the greatest overall expertise in the combination of these products, the SEC. Margin authority over each of these products would also require consolidation in a single regulator. In addition, it is imperative that we end the jurisdictional disputes over the regulation of new products that simply drive them to overseas markets (this would require elimination of the "exclusivity" clause in the Commodity Exchange Act, which currently requires exclusive CFTC regulation of any instrument that has any element of "futurity").

This minimum solution would deal comprehensively with the most prominent problems we now face. Moreover, because index futures are only a small percentage of the transactions regulated by the CFTC, it would not be a radical departure from the existing regulatory scheme.

Some have argued that unified regulation would diminish innovation and creativity resulting from regulatory competition. We believe, however, that with the globalization of financial markets, other countries have provide us all the regulatory competition we need. We can no longer afford intramural squabbling, like the current legal battle over index participations, that stifles innovation at home and drives important business overseas.

ESTABLISHMENT OF A POLISH EXCHANGE

Question: One of the best ways to help emerging democracies like Poland would be to help them create a capital market so that investments could be made, capital raised, and shares of stock traded.

1. What types of assistance and/or initiatives is the Treasury Department considering:

Answer: To explain Treasury Department activities, I should outline the interagency structure established to manage assistance to Eastern Europe. The President has named Deputy Secretary of State Lawrence Eagleburger as Coordinator for Economic assistance to Eastern Europe. He chairs a subcabinet interagency committee. Deputy

Secretary of the Treasury John Robson has been named Deputy Coordinator, along with Michael Boskin, Chairman of the Council of Economic Advisors.

A principal subcommittee is the interagency Coordinating Group on Policy Planning/Macroeconomic Analysis/Financial Assistance, which is chaired by Assistant Secretary of the Treasury Charles H. Dallara.

On February 16, 1990, the Coordinating Group chaired by Mr. Dallara established a Task Force on Financial Sector Assistance to review what financial sector technical assistance U.S. agencies can provide and to coordinate responses to requests from Eastern European governments. Eleven agencies participate in the Task Force.

In response to a request from the government of Yugoslavia, the Task Force is preparing proposals to assist with the development of exchange market and broker regulations. The Securities and Exchange Commission is playing a leading role in the Task Force and, together with the Treasury Department, is expected to furnish technical experts to provide the assistance.

The government of Poland has submitted a request for technical assistance which the Task Force agencies are now considering.

Question: 2. What impediments are you finding in trying to implement the aid to Poland package that was enacted last year?

Answer: The major impediment has been obtaining a clear understanding of the assistance desired by the Polish government. The quality of information has been improving, but some questions still remain about important areas for assistance.

Question: 3. What preconditions, if any, do you believe should be placed on aid to these emerging democracies?

Answer: Assistance to the countries of Eastern Europe should only be extended if it serves the objectives of democratic development and market-oriented economic reform.

PAY COMPETITIVENESS

Senator Domenici: What recruitment and retention problems does Treasury face as a result of its inability to compete with salaries paid by the private sector in certain locations? What impact are they having on Treasury?

Secretary Brady: As a result of the inability of the Federal Government's major pay systems to keep pace with pay in the private sector, the Department faces difficulties in recruiting and retaining certain occupational groups in certain geographic locations. This is especially true in high cost areas such as New York City, Boston, San Francisco and Los Angeles. The problem is not restricted to attracting college and law school graduates and specialized enforcement personnel, but includes clerical and seasonal employees. In addition, the quality of new hires is reported to have declined in some occupations and locations.

Although data have not been maintained, our bureaus have reported that to overcome these pay related staffing problems they must: use more overtime to accomplish their various missions; spend more funds in training replacements for those who leave; increase recruitment efforts; and cut back on levels of service provided to the public. Also, we have been told that pay disparities have caused some morale problems.

Senator Domenici: What special pay rates have been approved by the Office of Personnel Management (OPM) to improve the pay competitiveness of the Treasury Department bureaus? Please provide detail on the special pay rates approved, the date each was approved, its coverage, and when it was implemented by Treasury.

Secretary Brady: The Department has employees covered by the special rate tables listed below. Information on the implementation date is not available, but all were effective within Treasury as shown. Additionally, I am providing a copy of FPM Supplement 990-2, Installment 88 (Tab A), which provides more detail on the special rates.

TABLE NUMBER	OCCUPATION/ GRADES	LOCATION	EFFECTIVE DATE (First Pay Period on or After)
010	Clericals GS-2-7	South S.F. Bay	5/14/86
012	Clericals GS-2-6	New York City	6/25/86
017	Computer Operator GS-5-10	Dallas/ Ft. Worth	9/23/86
023	Clericals GS-2-8	Eastern Massachusetts	2/01/87

TABLE NUMBER	OCCUPATION/ GRADES	LOCATION	EFFECTIVE DATE (First Pay Period on or After)
024	Clericals GS-2-6	Greater S.F. Bay	3/13/87
029	Clericals GS-2-7	Washington, DC	4/1/87
032	Mathematical Statistician GS-5,7,9,11	Washington, DC	3/10/87
037	Clericals GS-1-6	Connecticut	10/23/88
047	Clericals GS-2-7	Northern N.J.	12/4/87
053	Data Transcribers GS-2-8	Holtsville, N.Y.	7/29/87
057	Clericals GS-2-5	Dallas/ Ft. Worth	11/5/87
065	Police Officer GS-4-10	Washington, DC	2/28/88
070	Clericals GS-2-7	Los Angeles	1/3/88
071	Clericals GS-2-7	Orange County, CA	1/3/88
072	Data Transcribers GS-2-7	Atlanta	2/5/88
106	Uniformed Division, Secret Service LE 1 - LE 10	Nationwide	2/25/88
109	Clericals GS-2-5	Portsmouth, N.H.	8/28/88
110	Internal Revenue Agents GS-5,7,9,11	New York City	3/10/88

TABLE NUMBER	OCCUPATION/ GRADES	LOCATION	EFFECTIVE DATE (First Pay Period on or After)
112	Legal Clerk/ Technician GS-2-8	Atlanta	3/23/88
113	Clericals GS-2-6	Miami	4/20/88
119	Clericals GS-2-5	Chicago	4/27/88
125	Clericals GS-2-5	Minneapolis/ St. Paul	6/30/88
136	Legal Clerk/ Technician GS-4-9	Northern N.J.	7/8/88
137	Actuary GS-5,7,9, 11,12,13	Washington, DC Chicago Dayton,OH Salt Lake City Kansas City Philadelphia New York City	7/21/88
154	Clericals GS-2-5	Mercer County, N.J.	10/23/88
157	Accountant/ Auditor GS-5,7,9	Eastern Massachusetts	11/7/88
159	Clericals GS-1-5	Juneau, Alaska	11/7/76
160	Accountant/ Auditor GS-5,7,9	Long Island New York City	11/7/88
162	Accountant/ Auditor GS-5,7,9	Philadelphia, PA	11/7/88
164	Accountant/ Auditor GS-5,7,9	Washington, DC	11/7/88
165	Accountant/ Auditor GS-5,7,9	San Jose, S.F., Oakland, Solano County, CA	11/7/88

TABLE NUMBER	OCCUPATION/ GRADES	LOCATION	EFFECTIVE DATE (First Pay Period on or After)
166	Accountant/ Auditor GS-5,7,9	L.A. County, CA Orange County, CA	11/7/88
174	Police Officer/ Guard GS-3-8	Philadelphia	1/1/89
175	Police Officer GS-5-8	San Francisco	1/1/89
176	Police Officer GS-5-8	West Point, N.Y.	1/1/89
187	Clericals GS-2-6	Westchester County, N.Y.	2/12/89
224	Forensic Chemist GS-5,7,9, 11	Nationwide	6/9/89
263	Accountant/ Auditor GS-5,7,9	Chicago	10/27/89
284	Clericals GS-2-5	Northern N.J.	12/4/87
290	Medical Officer (Clinical) GS-11,12, 13,14,15	Worldwide	1/1/71
305	Industrial Hygienists GS-5,7,9, 10,11,12	Nationwide	12/5/89
414	Engineer GS-801/803/ 804/806/807/ 808/810/819/ 830/858/861/ 871/890/892/ 893/894/896 GS-5,7,9, 11,12	Worldwide	1956

TABLE NUMBER	OCCUPATION/ GRADES	LOCATION	EFFECTIVE DATE (First Pay Period on or After)
415	Petroleum Engineer GS-881 GS-5,7,9, 11,12	Nationwide	1956
417	Mining Engineer GS-880 GS-5,7,9, 11	Nationwide	1956
422	Engineer GS-840/ 850/854/ 855 GS-5,7,9, 11,12	Worldwide	1956
697	Computer Scientist GS-5,7,9	Washington, DC	7/10/83
903	Legal Clerk/ Technician GS-5-7	Los Angeles	2/19/84
904	Legal Clerk/ Technician GS-4-10	New York City	9/30/84

Office of Personnel Management
Federal Personnel Manual System

FPM Supplement 990-2, Hours of Duty, Pay and Leave, Annotated

Installment 88

Washington, D.C. 20415
February 2, 1990

Table of Changes

Remove		Insert	Explanation of Changes
Page	Identification	Page	
530-D-3 through 530-D-91	Inst. 86	530-D-3 through 530-D-124	This installment notifies agencies of OPM's annual review of existing special salary rates, authorized under 5 U.S.C. 5303, which were reviewed to comply with E.O. 11721.

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
001	GS-0649 MED MACH TECH	ANCHORAGE AK	INDIAN HEALTH SVC	5	19714	24511	533	01/01/90	R
				6	20788	26143	595		
				7	22439	28379	660		
				8	23391	29970	731		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
002	GS-0083 POLICE OFFICER	FT ORD CA PRESIDIO CA	ARMY	4	18578	22871	477	01/01/90	R
				5	20780	25577	533		
				6	21977	27332	595		
				7	23099	29039	660		
				8	24854	31433	731		
				9	27177	34593	824		
				10	29927	38090	907		
				11	31883	40847	996		
	[ANNUAL REVIEW: ADDED GRADES GS-9/10/11 TO AUTHORIZATION.]								
003	GS-1980 AG COMMOD GRD	NEW YORK CT NY	AGRICULTURE DEPT	5	19182	23979	533	01/01/90	R
				7	23099	29039	660		
				9	27452	34724	808		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [RESTRICTED TO FRESH FRUIT AND VEGETABLE GRADERS ONLY]								
004	GS-1550 COMP SCIENTIST	WARMINSTER PA	NAVY	5	20780	25577	533	01/01/90	R
				7	25739	31679	660		
				9	29140	36223	787		
				11	31449	40026	953		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
005	GS-0660 PHARMACIST	FT ORD CA	ARMY	9	31490	38762	808	01/01/90	R
				11	35167	43960	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
006	GS-0083 POLICE OFFICER	PORTSMTH STD ME	NAVY	4	17003	21377	486	01/01/90	R
				5	18481	23377	544		
				6	19992	25446	606		
				7	21541	27598	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
007	GS-0651 RESPIRATRY THER	WASH DC USA	ARMY US SOLDIERS/ARMN HM AIR FORCE	7	21779	27719	660	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
008	GS-0647 DIAG RAD TEC	AURORA CO	ARMY	5	19143	23940	533	01/01/90	R
				6	20760	26115	595		
				7	21785	27725	660		
				8	22700	29287	731		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVISED OR NOT
010	GS-0322 CLERK TYPIST	S SF BAY CA	AGRICULTURE DEPT	2	14679	18063	376	01/01/90	R
	GS-0356 DATA TRANSCRIBE		AIR FORCE	3	16543	20359	424		
	GS-0318 SECRETARY		ARMY	4	18101	22394	477		
	GS-XXXX (TYPING)		DEF CONTR AUDIT AGCY	5	19182	23979	533		
	GS-XXXX (STENOGRAPHY)		DEFENSE LOGISTICS AG	6	20195	25550	595		
	GS-XXXX (DATA TRANSCRI)		DEFENSE INVESTIG SVC	7	21119	27059	660		
			EQ EMPL OPP COMMISSI						
			JUSTICE DEPT						
			NASA						
			NAVY						
			TREASURY DEPT						
			TRANSPORTATION DEPT						
			US GEOLOGICAL SURV						
			VETERANS ADMIN						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[THIS AUTHORIZATION COVERS AREA WITHIN BOUNDARIES OF COYOTE,]
[MENLO PARK, MOFFETT NAVAL A.S., MORGAN HILL, MOUNTAIN VIEW,]
[PALO ALTO, REDWOOD CITY, SAN JOSE, SANTA CLARA, SUNNYVALE]
[AND UNION CITY.]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVISED OR NOT
011	GS-0081 FIREFIGHTER	CLEAR AFB AK	AIR FORCE	4	17624	21917	477	01/01/90	R
				5	18649	23446	533		
				6	19006	24361	595		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
012	GS-0312 CLERK STENO	NEW YORK CT NY	ACTION	2	14679	19063	378	01/01/90	R
	GS-0322 CLERK TYPIST		AGRICULTURE DEPT	3	16119	19935	424		
	GS-0356 DATA TRANSCRIBR		AIR FORCE	4	17148	21441	477		
	GS-XXXX (TYPING)		ARMY	5	18117	22914	533		
	GS-XXXX (STENOGRAPHY)		COMMERCE DEPT	6	19006	24361	595		
	GS-XXXX (DATA TRANSCRI)		CONSUM PROD SFTY COM						
			COMMOD FUT TRD COMMI						
			DEFENSE AGENCIES						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			FED COMMUNIC COMM						
			FED LABOR REL AUTH						
			FED MARITIME COMM						
			FED EMERG MGMT AGCY						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			NASA						
			NAVY						
			NAT LABOR REL BD						
			OFFICE PERSONNEL MGT						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			SEC & EXCHANGE COMM						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			COMPT OF CURRENCY						
			FDIC						
			FED TRADE COMM						
			FED MED & CONCIL SVC						
			PEACE CORPS						
			US INFORMATION AGCY						
			U.S. COURTS						
			U.S. MISSION TO U.N.						
			INTERSTATE COMMERCE						
			FED ENERGY REG COMM						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE	AUTHORIZATION COVERS:				1ST	10TH	WITHIN		
NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	STEP RATE	STEP RATE	GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
012			RAILROAD RETMT BOARD NAT TRANSP SAFETY BD SELECTIVE SERVICE						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
013	GS-0610 NURSE	ROCHESTER MN	JUSTICE BUREAU PRIS	4	18947	23321	486	01/01/90	R
				5	21201	26097	544		
				7	26252	32309	673		
				9	32121	39537	824		
				11	34871	43835	996		
	[AUTHORIZATION INCREASED MORE THAN 3.6 PERCENT.]								
014	GS-0660 PHARMACIST	AURORA CO	ARMY	9	31490	38762	808	01/01/90	R
				11	34190	42983	977		
				12	37465	48013	1172		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
015	GS-0660 PHARMACIST	FT KNOX KY	ARMY	9	32121	39537	824	01/01/90	R
				11	35867	44831	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
016	GS-0660 PHARMACIST	CARLISLE PA	ARMY	9	32121	39537	824	01/01/90	R
				11	38855	47819	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
017	GS-0332 COMPUTER OPER	DALS/FT WRTH TX	AIR FORCE	5	16849	21745	544	01/01/90	R
			ARMY	6	18780	24234	606		
			DEFENSE LOGISTICS AG	7	21541	27598	673		
			HEALTH & HUMAN SVCS	8	23859	30573	746		
			JUSTICE DEPT	9	26353	33769	824		
			NAVY	10	28113	36276	907		
			TREASURY DEPT						
			VETERANS ADMIN						
			DEFENSE AGENCIES						
			GEN SERVICES ADM						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
018	GS-0610 NURSE CLINICAL	FT GORDON GA	ARMY	5	17393	22289	544	01/01/90	R
				7	21541	27598	673		
				9	25529	32945	824		
	[ANNUAL REVIEW: ADD GRADES GS-5/7]								
019	GS-0660 PHARMACIST	FT GORDON GA	ARMY	9	31297	38713	824	01/01/90	R
				11	35867	44831	996		
				12	38213	48959	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90.] [GS-12 ALSO ADDED TO AUTHORIZATION.]								
022	GS-0083 POLICE OFFICER	CHINA LAKE CA	NAVY	2	14679	18063	376	01/01/90	R
				3	16543	20359	424		
				4	18578	22871	477		
				5	20301	25098	533		
				6	21371	26726	595		
				7	22459	28399	660		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
023	GS-0134 INTELL AID/CLK	EASTERN MA	ACTION	2	14879	18063	378	01/01/90	R
	GS-0203 PERS CLK & ASST		AGRICULTURE DEPT	3	15695	19511	424		
	GS-0204 MIL PER CLK/TCH		COMMERCE DEPT	4	16671	20964	477		
	GS-0302 MESSENGER		DEFENSE DEPT	5	17583	22380	533		
	GS-0303 MISC CLK & ASST		EDUCATION DEPT	6	19388	24840	606		
	GS-0304 INF RECEPTIONST		ENERGY DEPT	7	20868	26925	673		
	GS-0305 MAIL & FILE CLK		ENVIRON PROTECT AGCY	8	23113	29827	746		
	GS-0312 CLERK STENO		EQ EMPL OPP COMMISSI						
	GS-0318 SECRETARY		FED COMMUNIC COMM						
	GS-0319 CLOSED MICR RPT		FED EMERG MGMT AGCY						
	GS-0322 CLERK TYPIST		FED TRADE COMM						
	GS-0335 COMPUTER CLERK		GEN SERVICES ADM						
	GS-0344 MGMT CLK & ASST		HEALTH & HUMAN SVCS						
	GS-0350 EQUIPMENT OPER		HOUSING & URBAN DEV						
	GS-0351 PRINTING CLK		FED LABOR REL AUTH						
	GS-0356 DATA TRANSCRIBE		INTERSTATE COMMERCE						
	GS-0359 EL ACCT MACH OP		INTERIOR DEPT						
	GS-0382 TELEPHONE OPER		JUSTICE DEPT						
	GS-0392 DATA COM EQP OP		LABOR DEPT						
	GS-0394 COMMUNIC CLK		NAT ARCHIVES & RCDS						
	GS-0503 FINANCL CLK AST		MERIT SYST PROT BD						
	GS-0530 CASH PROCESSING		NAT LABOR REL BD						
	GS-0332 COMPUTER OPER		OFFICE PERSONNEL MGT						
	GS-0525 ACCOUNTING TECH		OCC SAF & HLT REV CM						
	GS-0540 VOUCHER EXAMNR		STATE DEPT						
	GS-0544 PAYROLL		SMITHSONIAN INST						
	GS-0561 BUDGET CLK/ASST		SMALL BUSINESS ADM						
	GS-0590 TIME & LEAVE		SEC & EXCHANGE COMM						
	GS-0592 TAX EXAMINER		TRANSPORTATION DEPT						
	GS-0675 MED REC TEC		TREASURY DEPT						
	GS-0679 MEDICAL CLERK		RAILROAD RETMT BOARD						
	GS-0963 LEGAL INST EXMR		VETERANS ADMIN						
	GS-0986 LEGAL CLK/TECHN								
	GS-0998 CLAIMS CLERK								
	GS-1087 EDITORIAL ASST								
	GS-1101 GEN BUS & IND								
	GS-1105 PURCHASER								
	GS-1106 PROCMT CLK/ASST								
	GS-1152 PRODUCTION CONT								
	GS-1411 LIBRARY TECHN								
	GS-1421 ARCHIVES TECHN								
	GS-2005 SUPPLY CLK/TECH								
	GS-2091 SALES STORE CLK								
	GS-2102 TRANSP CLK/ASST								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
023	GS-2131 FREIGHT RATE GS-2134 SHIPMENT CLERK GS-0029 ENV PROTECT ASS GS-0086 SECURITY CL/AST GS-0072 FINGERPRINT ID GS-0309 CORRESP CLERK GS-0357 CODER GS-0385 TELETYPIST GS-0388 CRYPT EQUIP OPR GS-0390 COMM RELAY OPRT GS-0545 MILITARY PAY GS-0593-INSURANCE ACCT GS-1001 GEN ARTS & INF GS-1046 LANGUAGE CLERK GS-1107 PROPTY DISP CLK GS-1531 STATISTCL ASST GS-1802 COMPLIANCE INSP GS-1897 CUSTOMS AID GS-2132 TRAVEL GS-2151 DISPATCHER GS-XXXX (TYPING) GS-XXXX (STENOGRAPHY) GS-XXXX (DATA TRANSCRI)								

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90.]
[EASTERN MASS CONSISTS OF THE COUNTIES OF PLYMOUTH, ESSEX,]
[MIDDLESEX, NORFOLK, SUFFOLK, AND WORCESTER.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
024	GS-0312 CLERK STENO	GTR SF BAY CA	ACTION	2	14253	17547	366	01/01/90	R
	GS-0318 SECRETARY		AGRICULTURE DEPT	3	16065	19773	412		
	GS-0322 CLERK TYPIST		COMMERCE DEPT	4	17110	21277	463		
	GS-0356 DATA TRANSCRIBER		CONSUM PROD SFTY COM	5	18107	22769	518		
	GS-XXXX (TYPING)		DEFENSE DEPT	6	19029	24222	577		
	GS-XXXX (STENOGRAPHY)		ENERGY DEPT						
	GS-XXXX (DATA TRANSCRI)		EDUCATION DEPT						
			EQ EMPL OPP COMMISSI						
			ENVIRON PROTECT AGCY						
			FED COMMUNIC COMM						
			FED LABOR REL AUTH						
			FED ENERGY REG COMM						
			GEN SERVICES ADM						
			FED EMERG MGMT AGCY						
			FED MARITIME COMM						
			FED TRADE COMM						
			INTERSTATE COMMERCE						
			INTERIOR DEPT						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			JUSTICE DEPT						
			LABOR DEPT						
			NAT LABOR REL BD						
			MERIT SYST PROT BD						
			NAT CRED UN ADMIN						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			SMALL BUSINESS ADM						
			STATE DEPT						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			MSPB SPEC COUNSEL						
			NAT ARCHIVES & RCDS						
			SELECTIVE SERVICE						
			FED MED & CONCIL SVC						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[COVERS ALAMEDA, CONTRA COSTA, MARIN, SAN FRANCISCO, SAN]
[MATEO, SANTA CLARA & SOLANO COUNTIES, EXCLUDING ALL AREAS]
[NOW COVERED BY TABLE 9010 AND NAPA COUNTY FOR DEPTS OF HHS]
[AND INTERIOR. ALSO COVERS NAVY AT SKAGGS ISLAND.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
026	GS-0083 POLICE OFFICER	BOULDER CITY NV	INTERIOR DEPT	5	19070	23867	533	01/01/90	R
				6	20671	26026	595		
				7	22309	28366	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90.]								
027	GS-0660 PHARMACIST	FT DRUM NY	ARMY	9	32121	39537	824	01/01/90	R
				10	35369	43532	907		
				11	38855	47819	996		
				12	41795	52541	1194		
	[ANNUAL REVIEW: 3.6% INCREASE PLUS ADD GRADE GS-12.]								
028	GS-0660 PHARMACIST	FT STEWART GA	ARMY	9	31490	38762	808	01/01/90	R
				11	35167	43960	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
029	GS-0312 CLERK STENO	DAHLGREN VA	ACTION	2	14589	18045	384	01/01/90	R
	GS-0322 CLERK TYPIST	VINT HL FARM VA	ADMIN CONF OF U.S.	3	15580	19477	433		
	GS-0356 DATA TRANSCRIBE	WASH DC MSA	AFRICAN DEVEL FOUNDN	4	16517	20891	486		
	GS-XXXX (TYPING)		AGRICULTURE DEPT	5	17937	22833	544		
	GS-XXXX (STENOGRAPHY)		AIR FORCE	6	19386	24840	606		
	GS-XXXX (DATA TRANSCRI)		AM BATTLE MONUM COMM	7	20868	26925	673		
			ARMY						
			COMM OF FINE ARTS						
			COMM ON CIVIL RIGHTS						
			COMM PURCH HANDICAP						
			COMMERCE DEPT						
			COMMOD FUT TRD COMMI						
			COMPT OF CURRENCY						
			CONSUM PROD SFTY COM						
			DEFENSE AGENCIES						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			EXPORT-IMPORT BANK						
			FARM CREDIT ADMIN						
			FDIC						
			FED COMMUNIC COMM						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED MARITIME COMM						
			FED MED & CONCIL SVC						
			FED MINE SAFETY COMM						
			FED RET THRIFT INVES						
			FED TRADE COMM						
			FED AVIATION ADMIN						
			FEDERAL RAILROAD ADM						
			GEN SERVICES ADM						
			GENERAL ACCTG OFFICE						
			GOVT PRINTING OFFICE						
			HARRY S TRUMAN SCHSP						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTER-AMERICAN FND						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE	AUTHORIZATION COVERS:				1ST	10TH	WITHIN		
NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	STEP RATE	STEP RATE	GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
029			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			MSPB SPEC COUNSEL						
			NASA						
			NAT ARCHIVES & RCDS						
			ARCH/TRANS BARRIERS						
			ARMS CTL & DISARM AG						
			NAT CAP PLAN COMM						
			NAT COMM LIBR/INF SC						
			NAT CRED UN ADMIN						
			NAT FND ARTS & HUMAN						
			NAT GUARD BUREAU						
			NAT LABOR REL BD						
			NAT SCIENCE FNDATION						
			NAT SECURITY COUNCIL						
			NAT TRANSP SAFETY BD						
			NATL MEDIATION BOARD						
			NAVY						
			OCC SAF & HLT REV CM						
			OFC US TRADE REP						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENN AVE DEVEL CORP						
			PENSION BENFT GURNTE						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			SELECTIVE SERVICE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			US AGENCY INTL DEV						
			US HOLOCAUST MEMORIA						
			US INFORMATION AGCY						
			US INTNL TRADE COMM						
			US SOLDIERS/AMNS HM						
			US TAX COURT						
			VETERANS ADMIN						
			NUCLEAR REG COMM						
			BOARD FOR INTL BRCAS						
			OVERSEAS PRIV INV CP						
			PANAMA CANAL COMM						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
029			VOICE OF AMERICA						
			EXEC. OFF. PRESIDENT						
			NAT ENDOWMT FOR ARTS						
			NAT SECURITY AGENCY						
			NAT GALLERY OF ART						
			LIBRARY OF CONGRESS						
			ARCHITECT OF CAPITOL						
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
030	GS-0640 THER RAD TEC	FAIRFIELD CA	AIR FORCE	5	18747	23076	481	01/01/90	R
				6	19823	24647	536		
				7	22420	28186	640		
				8	24836	31226	710		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
032	GS-1529 MATH STATISTICN	WASH DC MSA	AGRICULTURE DEPT	5	20178	24840	518	01/01/90	R
			COMMERCE DEPT	7	23067	28827	640		
			DEFENSE DEPT	9	28220	35276	784		
			EDUCATION DEPT	11	32243	40775	948		
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			INTERIOR DEPT						
			LABOR DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			PENSION BENFT GUARTY						
			HEALTH & HUMAN SVCS						
			JUSTICE DEPT						
			OFFICE MGMT & BUDGT						
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
033	GS-0303 MISC CLK & ASST	NASHUA NH	DEF CONTR AUDIT AGCY	3	14005	17713	412	01/01/90	R
	GS-0312 CLERK STENO		DEFENSE LOGISTICS AG	4	15722	19889	463		
	GS-0318 SECRETARY			5	17174	22340	574		
	GS-0322 CLERK TYPIST								
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR. EFF 01/01/90]								
	[ON SITE OF SANDERS ASSOCIATES ONLY.]								
034	GS-0303 MISC CLK & ASST	SCHENECTADY NY	DEF CONTR AUDIT AGCY	3	13593	17301	412	01/01/90	R
	GS-0322 CLERK TYPIST	PITTSFIELD MA	ENERGY DEPT	4	15259	19426	463		
	GS-0312 CLERK STENO	WEST MILTON NY	DEFENSE LOGISTICS AG	5	17072	21734	518		
	GS-0318 SECRETARY			6	19029	24222	577		
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR. EFF 01/01/90]								
	[ON SITE OF THE GENERAL ELECTRIC COMPANY ONLY.]								
035	GS-0303 MISC CLK & ASST	BATH ME	DEF CONTR AUDIT AGCY	3	13593	17301	412	01/01/90	R
	GS-0322 CLERK TYPIST		DEFENSE LOGISTICS AG	4	15259	19426	463		
				5	17590	22252	518		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR. EFF 01/01/90]								
	[ON SITE OF BATH IRON WORKS ONLY.]								
036	GS-0303 MISC CLK & ASST	LONG ISLAND NY	DEF CONTR AUDIT AGCY	3	13573	17650	453	01/01/90	R
	GS-0322 CLERK TYPIST		DEFENSE LOGISTICS AG	4	15126	19653	503		
	GS-0312 CLERK STENO		AIR FORCE	5	17061	22191	570		
	GS-0318 SECRETARY		NAVY	6	18750	24357	623		
	GS-0344 MGMT CLK & ASST								
	GS-1106 PROCMT CLK/ASST								
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	GS-0335 COMPUTER CLERK								
	GS-0392 DATA COM EQP OP								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR. EFF 01/01/90]								
	[ON SITE OF FAIRCHILD REPUBLIC, THE EATON CORP., GRUMMAN]								
	[AEROSPACE, SPERRY CORP. AND THE LONG ISLAND BRANCH OFFICE]								
	[ONLY.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
037	GS-0072 FINGERPRINT ID	CONNECTICUT	ACTION	1	11409	13901	VARIES**	01/01/90	R
	GS-0134 INTELL AID/CLK		AGRICULTURE DEPT	2	12656	15800	VARIES**		
	GS-0203 PERS CLK & ASST		DEFENSE DEPT	3	13999	17815	424		
	GS-0204 MIL PER CLK/TCH		COMMERCE DEPT	4	15718	20011	477		
	GS-0302 MESSENGER		GEN SERVICES ADM	5	17583	22380	533		
	GS-0303 MISC CLK & ASST		HEALTH & HUMAN SVCS	6	19600	24955	595		
	GS-0304 INF RECEPTIONST		HOUSING & URBAN DEV						
	GS-0309 CORRESP CLERK		JUSTICE DEPT						
	GS-0312 CLERK STENO		INTERIOR DEPT						
	GS-0318 SECRETARY		LABOR DEPT						
	GS-0319 CLOSED MICR RPT		NAT LABOR REL BD						
	GS-0322 CLERK TYPIST		OFFICE PERSONNEL MGT						
	GS-0332 COMPUTER OPER		SMALL BUSINESS ADM						
	GS-0335 COMPUTER CLERK		STATE DEPT						
	GS-0344 MGMT CLK & ASST		TRANSPORTATION DEPT						
	GS-0350 EQUIPMENT OPER		TREASURY DEPT						
	GS-0351 PRINTING CLK		VETERANS ADMIN						
	GS-0356 DATA TRANSCRIBE								
	GS-0357 CODER								
	GS-0359 EL ACCT MACH OP								
	GS-0382 TELEPHONE OPER								
	GS-0385 TELETYPIST								
	GS-0388 CRYPT EQUIP OPR								
	GS-0390 COMM RELAY OPRT								
	GS-0392 DATA COM EQP OP								
	GS-0394 COMMUNIC CLK								
	GS-0503 FINANCL CLK AST								
	GS-0525 ACCOUNTING TECH								
	GS-0530 CASH PROCESSING								
	GS-0540 VOUCHER EXAMNR								
	GS-0544 PAYROLL								
	GS-0545 MILITARY PAY								
	GS-0561 BUDGET CLK/ASST								
	GS-0590 TIME & LEAVE								
	GS-0592 TAX EXAMINER								
	GS-0593 INSURANCE ACCT								
	GS-0675 MED REC TEC								
	GS-0679 MEDICAL CLERK								
	GS-0963 LEGAL INST EXMS								
	GS-0986 LEGAL CLK/TECHN								
	GS-0998 CLAIMS CLERK								
	GS-1001 GEN ARTS & INF								
	GS-1046 LANGUAGE CLERK								
	GS-1087 EDITORIAL ASST								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
037	GS-1101 GEN BUS & IND								
	GS-1105 PURCHASER								
	GS-1106 PROCMT CLK/ASST								
	GS-1107 PROPTY DISP CLK								
	GS-1152 PRODUCTION CONT								
	GS-1411 LIBRARY TECHN								
	GS-1421 ARCHIVES TECHN								
	GS-1531 STATISTCL ASST								
	GS-1802 COMPLIANCE INSP								
	GS-1897 CUSTOMS AID								
	GS-2005 SUPPLY CLK/TECH								
	GS-2091 SALES STORE CLK								
	GS-2102 TRANSP CLK/ASST								
	GS-2131 FREIGHT RATE								
	GS-2132 TRAVEL								
	GS-2133 PASSENGER RATE								
	GS-2134 SHIPMENT CLERK								
	GS-2151 DISPATCHER								
	GS-0029 ENV PROTECT ASS								
	GS-0086 SECURITY CK/AST								
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	GS-XXXX (DATA TRANSCRI)								
	GS-0305 MAIL & FILE CLK								

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

** [STEP2:11754 STEP3:11957 STEP4:12298 STEP5:12641 STEP6:12656 STEP7:12980 STEP8:13314 STEP9:13648]
STEP2:12798 STEP3:13174 STEP4:13550 STEP5:13926 STEP6:14303 STEP7:14679 STEP8:15055 STEP9:15432]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
038	GS-0651 RESP THER	SAN FRAN CMSA	NAVY	5	19714	24511	533	01/01/90	R
			ARMY	6	20788	26143	595		
				7	21779	27719	660		
				8	22659	29238	731		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
039	GS-0660 PHARMACIST	WASH DC MSA	ARMY FT BELVOIR	9	32121	39537	824	01/01/90	R
			ARMY FT MEADE	11	38855	47819	996		
			ARMY WALT REED MDCTR	12	42989	53735	1194		
			BETHESDA NAVAL HOSP						
			PUBLIC HLTH SERVICE						
			US SOLDIERS/AMNS HM						
			AIR FORCE						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
040	GS-0660 PHARMACIST	FT BENNING GA	ARMY	9	32121	39537	824	01/01/90	R
				11	38855	47819	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
041	GS-0660 PHARMACIST	FT RUCKER AL	ARMY	9	30473	37889	824	01/01/90	R
				11	35867	44831	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
042	GS-0660 PHARMACIST	FT HOOD TX	ARMY	9	28259	35531	808	01/01/90	R
				11	33213	42006	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
043	GS-0083 POLICE OFFICER	CAPE COD MA	AIR FORCE	4	16671	20964	477	01/01/90	R
				5	17583	22380	533		
				6	19006	24361	595		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
044	GS-0660 PHARMACIST	FT JACKSON SC	ARMY	9	29875	37147	808	01/01/90	R
				11	33213	42006	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:			GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS						
045	GS-0660 PHARMACIST	FT BLISS TX	ARMY	11	38855	47819	996	01/01/90	R
				12	42989	53735	1194		
	[AUTHORIZATION INCREASED MORE THAN 3.6 PERCENT.]								
046	GS-0648 THER RAD TEC	PORTSMOUTH VA	NAVY	5	20113	25009	544	01/01/90	R
				6	21810	27264	606		
				7	24233	30290	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
047	GS-0312 CLERK STENO GS-0318 SECRETARY GS-0322 CLERK TYPIST GS-0356 DATA TRANSCRIBE GS-XXXX (TYPING) GS-XXXX (STENOGRAPHY) GS-XXXX (DATA TRANSCRI)	BERGEN CO NJ ESSEX CO NJ HUDSON CO NJ MIDDLESEX CO NJ MORRIS CO NJ ROCKLAND CO NY SOMERSET CO NJ UNION CO NJ PASSAIC CO NJ	AGRICULTURE DEPT COMMERCE DEPT DEFENSE DEPT ENERGY DEPT ENVIRON PROTECT AGCY EQ EMPL OPP COMMISSI GEN SERVICES ADM HEALTH & HUMAN SVCS HOUSING & URBAN DEV INTERIOR DEPT JUSTICE DEPT LABOR DEPT NAT ARCHIVES & RCDS NAT LABOR REL BD OFFICE PERSONNEL MGT RAILROAD RETMT BOARD SMALL BUSINESS ADM STATE DEPT VETERANS ADMIN TRANSPORTATION DEPT TREASURY DEPT	2	14589	18045	384	01/01/90	R
				3	15580	19477	433		
				4	16517	20891	486		
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [THE SOCIAL SECURITY ADMINISTRATION, INTERNAL REVENUE SERVICE] [AND CUSTOMS SERVICE ARE NOT COVERED BY THIS TABLE. SEE] [TABLE 204 FOR RATES FOR THESE COMPONENTS.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
049	GS-0660 PHARMACIST	FT DEVENS MA	ARMY	11	33213	42006	977	01/01/90	R
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90.)								
050	GS-0083 POLICE OFFICER	FT MONMOUTH NJ	ARMY	4	16517	20891	486	01/01/90	R
		LAKEHURST NJ	NAVY	5	18481	23377	544		
		NORTHERN NJ		6	19992	25446	606		
				7	22214	28271	673		
				9	25529	32945	824		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
051	GS-0083 POLICE OFFICER	BAYONNE NJ	ARMY	5	18481	23377	544	01/01/90	R
				6	19992	25446	606		
				7	22214	28271	673		
				9	25529	32945	824		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
052	GS-0334 COMPUTER SPEC	CHICAGO IL	RAILROAD RETMT BOARD	9	28259	35531	808	01/01/90	R
				11	33213	42006	977		
				12	37465	48013	1172		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
053	GS-0356 DATA TRANSCRIBE	HOLTSVILLE NY	TREASURY DEPT	2	14973	18429	384	01/01/90	R
				3	16446	20343	433		
				4	17489	21863	486		
				5	18481	23377	544		
				6	20598	26052	606		
				7	21541	27598	673		
				8	23113	29827	746		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
054	GS-0660 PHARMACIST	FT RILEY KS	ARMY	9	29875	37147	808	01/01/90	R
				11	33213	42006	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
055	GS-0083 POLICE OFFICER	LONG BEACH CA	NAVY	4	17624	21917	477	01/01/90	R
				5	18649	23446	533		
				6	20788	26143	595		
				7	22439	28379	660		
				8	23857	30562	745		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
056	GS-0662 OPTOMETRIST	CARLISLE PA	ARMY	11	38098	46891	977	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
057	GS-0312 CLERK STENO	DALS/FT WRTH TX	AGRICULTURE DEPT	2	13926	17310	376	01/01/90	R
	GS-0318 SECRETARY		AIR FORCE	3	14847	18663	424		
	GS-0322 CLERK TYPIST		ARMY	4	15718	20011	477		
			COMMERCE DEPT	5	17050	21847	533		
			CONSUMR PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE INVESTIG SVC						
			DEFENSE LOGISTICS AG						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			FED EMERG MGMT AGCY						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			JUSTICE DEPT						
			LABOR DEPT						
			NAVY						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			NAT ARCHIVES & RCDS						
			FARM CREDIT ADMIN						
			INTERIOR DEPT						
			MERIT SYST PROT BD						
			NAT LABOR REL BD						
			EDUCATION DEPT						
			SMALL BUSINESS ADM						
			ACTION						
			INTERSTATE COMMERCE						
			FED COMMUNIC COMM						
			FED HM LOAN BANK BD						
			OCC SAF & HLT REV CM						
			NAT TRANSP SAFETY BD						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[THIS AUTHORIZATION COVERS THE COUNTIES OF COLLIN, DALLAS,]
[DENTON, ELLIS, KAUFMANN, ROCKWALL, JOHNSON, PARKER AND]
[TARRANT.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
058	GS-0648 THER RAD TEC	SAN DIEGO CA	NAVY	5	19714	24511	533	01/01/90	R
				6	21977	27332	595		
				7	23759	29699	660		
				8	26315	32894	731		
				9	29067	36329	807		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
059	GS-0082 DEP US MARSHAL	WASHINGTON DC	JUSTICE DEPT	5	19025	23921	544	01/01/90	R
				7	22214	28271	673		
				9	26353	33769	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
060	GS-0082 DEP US MARSHAL	NEW YORK CT NY	JUSTICE DEPT	5	19025	23921	544	01/01/90	R
				7	22214	28271	673		
				9	26353	33769	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
061	GS-0082 DEP US MARSHAL	LOS ANGELES CA	JUSTICE DEPT	5	19025	23921	544	01/01/90	R
				7	22214	28271	673		
				9	26[illegible]3	33769	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
062	GS-0082 DEP US MARSHAL	MIAMI FL	JUSTICE DEPT	5	19025	23921	544	01/01/90	R
				7	22214	28271	673		
				9	26353	33769	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
063	GS-0334 COMPUTER SPEC	ATLANTIC CY NJ	FED AVIATION ADMIN	5	21201	26097	544	01/01/90	R
				7	26252	32309	673		
				9	30473	37889	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
064	GS-0660 PHARMACIST	ABERDEEN MD	ARMY	11	33875	42839	996	01/01/90	R
				12	38213	48959	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
065	GS-0083 POLICE OFFICER	WASH DC MSA	DEFENSE DEPT	4	17975	22349	486	01/01/90	R
			GEN SERVICES ADM	5	19025	23921	544		
			HEALTH & HUMAN SVCS	6	20598	26052	606		
			TREASURY DEPT	7	22214	28271	673		
			US SOLDIERS/AMNS HM	8	24605	31319	746		
			JUSTICE DEPT	9	26353	33769	824		
			SMITHSONIAN INST	10	28113	36276	907		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
066	GS-0085 GUARD	WARMINSTER PA	NAVY	4	16031	20405	486	01/01/90	R
				5	17393	22289	544		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
067	GS-0660 PHARMACIST	FT BRAGG NC	ARMY	11	38855	47819	996	01/01/90	R
	[AUTHORIZATION INCREASED BY 6.3 PERCENT.]								
068	GS-0642 NUC MED TECH	WASH DC MSA	ARMY	4	17975	22349	486	01/01/90	R
			NAVY	5	20113	25009	544		
				6	21204	26658	606		
				7	23560	29617	673		
				8	24605	31319	746		
				9	25529	32945	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
070	GS-0312 CLERK STENO	LOS ANGLS CO CA	AGRICULTURE DEPT	2	14679	18063	376	01/01/90	R
	GS-0318 SECRETARY		US COMM CIVIL RIGHTS	3	16119	19835	424		
	GS-0322 CLERK TYPIST		COMMERCE DEPT	4	17148	21441	477		
	GS-0356 DATA TRANSCRIBER		COMMOD FUT TRD COMMI	5	18117	22914	533		
	GS-XXXX (TYPING)		DEFENSE DEPT	6	19386	24840	606		
	GS-XXXX (STENOGRAPHY)		EQ EMPL OPP COMMISSI	7	20868	26925	673		
	GS-XXXX (DATA TRANSCRI)		FED LABOR REL AUTH						
			FED MARITIME COMM						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT LABOR REL BD						
			OFFICE PERSONNEL MGT						
			RAILROAD RETRMT BOARD						
			SEC & EXCHANGE COMM						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			AIR FORCE						
			ACTION						
			FED COMMUNIC COMM						
			NAT TRANSP SAFETY BD						
			NAT ARCHIVES & RCDS						
			FED HM LOAN BANK BD						
			CONSUM PROD SFTY COM						
			US INFORMATION AGCY						

(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
071	GS-0312 CLERK STENO	ORANGE CO CA	COMMERCE DEPT	2	14679	18063	376	01/01/90	R
	GS-0318 SECRETARY		DEFENSE DEPT	3	16119	19935	424		
	GS-0322 CLERK TYPIST		GEN SERVICES ADM	4	17148	21441	477		
	GS-0356 DATA TRANSCRIBE		HEALTH & HUMAN SVCS	5	18117	22914	533		
	GS-XXXX (TYPING)		HOUSING & URBAN DEV	6	19386	24840	606		
	GS-XXXX (STENOGRAPHY)		INTERIOR DEPT	7	20868	26325	673		
	GS-XXXX (DATA TRANSCRI)		JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			SMALL BUSINESS ADM						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			FED HM LOAN BANK BD						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
072	GS-0356 DATA TRANSCRIBE	ATLANTA GA	AIR FORCE	2	14973	18429	384	01/01/90	R
			COMMERCE DEPT	3	16879	20776	433		
			EDUCATION DEPT	4	17975	22349	486		
			HEALTH & HUMAN SVCS	5	19025	23921	544		
			LABOR DEPT	6	19992	25446	606		
			TREASURY DEPT	7	21541	27598	673		
			VETERANS ADMIN						
			NAVY						
			ARMY						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [COUNTIES COVERED ARE FULTON, DEKALB, GWINETT, COBB, CLAYTON,] [ROCKDALE AND DOUGLAS.]								
074	GS-0660 PHARMACIST	FT LEON WOOD MO	ARMY	9	31297	38713	824	01/01/90	R
				11	34871	43835	996		
				12	37019	47765	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE	AUTHORIZATION COVERS:				1ST	10TH	WITHIN		
NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	STEP RATE	STEP RATE	GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
101	GS-0660 PHARMACIST	SAN ANTONIO TX	AIR FORCE	9	29875	37291	824	01/01/90	R
				11	32235	41199	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
102	GS-0699 DIETETIC TECHN	SAN FRAN CA	ARMY	4	18195	22389	466	01/01/90	R
				5	19839	24537	522		
				6	21533	26771	582		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
103	GS-0660 PHARMACIST	PORTSMOUTH VA NORFOLK VA	NAVY	9	32121	39537	824	01/01/90	R
				11	34871	43835	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
104	GS-0082 DEP US MARSHAL	ALEXANDRIA VA	JUSTICE DEPT	5	19025	23921	544	01/01/90	R
				7	22214	28271	673		
				9	26353	33769	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
105	GS-1910 QUAL ASSUR SPEC	LONG ISLAND NY	DEF CONTR AUDIT AGCY	5	21201	26097	544	01/01/90	R
			DEFENSE LOGISTICS AG	7	26252	32309	673		
			TRANSPORTATION DEPT	9	30473	37889	824		
			DEFENSE DEPT	10	32648	40811	907		
			GEN SERVICES ADM	11	34871	43835	996		
				12	40601	51347	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [COUNTIES COVERED ARE NASSAU AND SUFFOLK.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
106	GS-0083 SEC SVC UNIFORM NATIONWIDE GS-0083 PARK POLICE		TREASURY DEPT	1	25337	36471		01/01/90	R
				1	26147	37281			
				4	33171	41462			
				5	37618	45147			
				7	43722	50271			
				8	50683	58297			
				9	59471	71561			
				10	70505	78200			
			INTERIOR DEPT	1	25337	36471			
				1	26147	37281			
				1	27607	38741			
				3	30545	39691			
				4	33171	41462			
				4	33961	42272			
	[THIS AUTHORIZATION INCREASED AS THE GENERAL SCHEDULE]			4	35441	43732			
	[WAS INCREASED, EFFECTIVE 01/01/90. MIN AND MAX SALARY ONLY.]			5	37618	45147			
	[NOT GS, TABLES MAY NOT EXCEED MAX OF $78200 (4 USC 4406).]			7	43722	50271			
	[RATES ARE SHOWN BY CLASSES.]			8	50683	58297			
	[SECRET SERVICE UNIFORMED DIV AND US PARK POLICE NATIONWIDE]			9	59471	71561			
				10	70505	78200			
107	GS-0085 GUARD	ALAMEDA CA	NAVY	3	16119	20007	432	01/01/90	R
		OAKLAND CA		4	17148	21513	485		
		MARE ISLAND CA		5	18117	23013	544		
		VALLEJO CA							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
108	GS-0083 POLICE OFFICER	MARE ISLAND CA	NAVY	3	16119	20016	433	01/01/90	R
		VALLEJO CA		4	17148	21522	486		
				5	18117	23013	544		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
109	GS-0080 SECURITY ADM	PORT NH/ME MSA	AGRICULTURE DEPT	2	13053	16509	384	01/01/90	R
	GS-0203 PERS CLK & ASST		HEALTH & HUMAN SVCS	3	14281	18178	433		
	GS-0302 MESSENGER		OFFICE PERSONNEL MGT	4	15545	19919	486		
	GS-0303 MISC CLK & ASST		TREASURY DEPT	5	16849	21745	544		
	GS-0304 INF RECEPTIONST		DEFENSE DEPT						
	GS-0305 MAIL & FILE CLK								
	GS-0312 CLERK STENO								
	GS-0318 SECRETARY								
	GS-0322 CLERK TYPIST								
	GS-0332 COMPUTER OPER								
	GS-0335 COMPUTER CLERK								
	GS-0344 MGMT CLK & ASST								
	GS-0350 EQUIPMENT OPER								
	GS-0356 DATA TRANSCRIBER								
	GS-0359 EL ACCT MACH OP								
	GS-0361 EQUAL OPP ASST								
	GS-0392 DATA COM EQP OP								
	GS-0394 COMMUNIC CLK								
	GS-0503 FINANCL CLK AST								
	GS-0525 ACCOUNTING TECH								
	GS-0540 VOUCHER EXAMNR								
	GS-0544 PAYROLL								
	GS-0561 BUDGET CLK/ASST								
	GS-0590 TIME & LEAVE								
	GS-0592 TAX EXAMINER								
	GS-1087 EDITORIAL ASST								
	GS-1105 PURCHASER								
	GS-1107 PROPTY DISP CLK								
	GS-1411 LIBRARY TECHN								
	GS-1702 EDU & TRAIN TEC								
	GS-2005 SUPPLY CLK/TECH								
	GS-2131 FREIGHT RATE								
	GS-2132 TRAVEL								
	GS-0675 MED RE. TEC								
	GS-1106 PROCMT CLK/ASST								
	GS-0998 CLAIMS CLERK								
	GS-0204 MIL PER CLK/TCH								
	GS-0382 TELEPHONE OPER								
	GS-0530 CASH PROCESSING								
	GS-0545 MILITARY PAY								
	GS-0679 MEDICAL CLERK								
	GS-1101 GEN BUS & IND								
	GS-1601 GEN FAC & EQUIP								
	GS-2091 SALES STORE CLK								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
109	GS-2102 TRANSP CLK/ASST								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [SERIES 0204, 0382, 0503, 0545, 0679, 1101, 1601, 2091 AND] [2102 APPLY TO THE DEFENSE DEPARTMENT ONLY.]								
110	GS-0512 INTERNAL REV AG	NEW YORK CT NY	TREASURY DEPT	5	19569	24465	544	01/01/90	R
				7	23560	29617	673		
				9	27177	34593	824		
				11	30887	39851	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
111	GS-0189 LIFEGUARD	NEW YORK CT NY SANDY HOOK NJ	INTERIOR DEPT	2	14589	18045	384	01/01/90	R
				3	15580	19477	433		
				4	16517	20891	486		
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
112	GS-0986 LEGAL CLK/TECH	ATLANTA GA	AGRICULTURE DEPT	3	15500	19477	433	01/01/90	R
			EDUCATION DEPT	4	16517	20891	486		
			EQ EMPL OPP COMMISSI	5	18481	23377	544		
			ENVIRON PROTECT AGCY	6	19992	25446	606		
			GEN SERVICES ADM	7	21541	27598	673		
			HEALTH & HUMAN SVCS	8	23113	29827	746		
			HOUSING & URBAN DEV						
			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			FED TRADE COMM						
			OCC SAF & HLT REV CM						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			SEC & EXCHANGE COMM						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [RESTRICTED TO INSIDE THE I-295 PERIMETER.]								
113	GS-0312 CLERK STENO	MIAMI FL	COMMERCE DEPT	2	13821	17277	384	01/01/90	R
	GS-0318 SECRETARY		DEFENSE DEPT	3	15147	19044	433		
	GS-0322 CLERK TYPIST		EQ EMPL OPP COMMISSI	4	16031	20405	486		
	GS-0356 DATA TRANSCRIBER		GEN SERVICES ADM	5	17393	22289	544		
	GS-0986 LEGAL CLK/TECH		HEALTH & HUMAN SVCS	6	18780	24234	606		
	GS-XXXX (TYPING)		HOUSING & URBAN DEV						
	GS-XXXX (STENOGRAPHY)		INTERIOR DEPT						
	GS-XXXX (DATA TRANSCRI)		JUSTICE DEPT						
			LABOR DEPT						
			NAT LABOR REL BD						
			SEC & EXCHANGE COMM						
			SMALL BUSINESS ADM						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			AGRICULTURE DEPT						
			FED MARITIME COMM						
			NAT TRANSP SAFETY BD						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [RESTRICTED TO DADE COUNTY NORTH OF SOUTH 232 STREET (SILVER] [PALM DRIVE).]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
114	GS-0610 NURSE	FT MONMOUTH NJ	ARMY	7	22887	28944	673	01/01/90	R
		LAKEHURST NJ	NAVY	9	27177	34593	824		
		EARLE NJ	HEALTH & HUMAN SVCS	10	29020	37183	907		
		BELLE MEAD NJ							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
115	GS-0895 INDUST ENG TECH	PORTSMOUTH NH	NAVY	4	18461	22835	486	01/01/90	R
	GS-0856 ELECTRONICS TEC	DURHAM NH	AGRICULTURE DEPT	5	20113	25009	544		
	GS-0802 ENGINEER TECH			6	21810	27264	606		
				7	23560	29617	673		
				8	25351	32065	746		
				9	27177	34593	824		
				10	29020	37183	907		
				11	30887	39851	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
116	GS-0072 FINGERPRINT ID	WASH DC MSA	JUSTICE DEPT	5	17937	22833	544	01/01/90	R
				6	19992	25446	606		
				7	22214	28271	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
117	GS-0322 CLERK TYPIST	MARTINEZ CA	VETERANS ADMIN	2	14973	18429	384	01/01/90	R
				3	16879	20776	433		
				4	18947	23321	486		
				5	21201	26097	544		
				6	23628	29082	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
118	GS-0610 NURSE	ATLANTA GA	NAT GUARD BUREAU	9	27177	34593	824	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
	[LIMITED TO OCCUPATIONAL NURSE ONLY.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:			GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS						
119	GS-0312 CLERK STENO	CHICAGO IL	AGRICULTURE DEPT	2	13821	17277	384	01/01/90	R
	GS-0318 SECRETARY		COMMERCE DEPT	3	14714	18611	433		
	GS-0322 CLERK TYPIST		COMMOD FUT TRD COMMI	4	16517	20891	486		
	GS-0356 DATA TRANSCRIBE		CONSUM PROD SFTY COM	5	17937	22833	544		
	GS-XXXX (TYPING)		EDUCATION DEPT						
	GS-XXXX (STENOGRAPHY)		ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EQ EMPL OPP COMMISSI						
			FDIC						
			FED COMMUNIC COMM						
			FED EMERG MGMT AGCY						
			FED LABOR REL AUTH						
			FED MED & CONCIL SVC						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			INTERSTATE COMMERCE						
			JUSTICE DEPT						
			LABOR DEPT						
			MERIT SYST PROT BD						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SEC & EXCHANGE COMM						
			SELECTIVE SERVICE						
			SMALL BUSINESS ADM						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			ACTION						
			NATIONAL MEDIATION						
			DEFENSE DEPT						
			VETERANS ADMIN						
			FED ENERGY REG COMM						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[COUNTIES COVERED ARE LAKE, COOK AND DUPAGE.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
120	GS-0610 NURSE	FT ORD CA	ARMY	5	21201	26097	544	01/01/90	R
				7	26252	32309	673		
				9	31297	38713	824		
				10	33555	41718	907		
				11	35867	44831	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
121	GS-0085 GUARD	SPRINGFIELD MA WESTOVER AFB MA	AIR FORCE	4	16517	20891	486	01/01/90	R
				5	19025	23921	544		
				6	20598	26052	606		
				7	22214	28271	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
122	GS-0610 NURSE	CMP PENDLTON CA	NAVY	7	24906	30963	673	01/01/90	R
				9	30473	37889	824		
				11	34871	43835	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
123	GS-0648 THER RAD TEC	AURORA CO	ARMY	4	18947	23321	486	01/01/90	R
				5	20657	25553	544		
				6	21810	27264	606		
				7	22887	28944	673		
				8	25351	32065	746		
				9	27177	34593	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
124	GS-0610 NURSE	SPRINGFIELD MO	JUSTICE DEPT	5	20113	25009	544	01/01/90	R
				7	21541	27598	673		
				9	26353	33769	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
125	GS-0312 CLERK STENO	MINN/ST PAUL MN	AGRICULTURE DEPT	2	13437	16893	384	01/01/90	R
	GS-0318 SECRETARY		COMMERCE DEPT	3	14714	18611	433		
	GS-0322 CLERK TYPIST		DEFENSE DEPT	4	16031	20405	486		
	GS-0356 DATA TRANSCRIBE		EQ EMPL OPP COMMISSI	5	17393	22289	544		
	GS-XXXX (TYPING)		FARM CREDIT ADMIN						
	GS-XXXX (STENOGRAPHY)		FED COMMUNIC CO						
	GS-XXXX (DATA TRANSCRI)		FED MED & CONCIL SVC						
			GENERAL ACCTG OFFICE						
			GEN SERVICES ADM						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NAT LABOR REL BD						
			OFFICE PERSONNEL MGT						
			RAILROAD RETMT BOARD						
			SMALL BUSINESS ADM						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			HEALTH & HUMAN SVCS						
			INTERSTATE COMMERCE						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
	[COUNTIES COVERED ARE ANOKA, CARVER, DAKOTA, HENNEPIN,]								
	[RAMSEY, SCOTT AND WASHINGTON.]								
126	GS-0007 CORRECT OFFICER	NEW YORK CT NY	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
127	GS-0007 CORRECT OFFICER	OTISVILLE NY	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
128	GS-0007 CORRECT OFFICER	LOMPOC CA	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
129	GS-0007 CORRECT OFFICER	DANBURY CT	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
130	GS-0007 CORRECT OFFICER	TERM ISLAND CA	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
		LOS ANGELES CA		7	23560	29617	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
131	GS-0610 NURSE ANESTHETI	AURORA CO	ARMY	9	32121	39537	824	01/01/90	R
				11	38855	47819	996		
				12	46571	57317	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
132	GS-0312 CLERK STENO	PLUM ISLAND NY	AGRICULTURE DEPT	4	16517	20891	486	01/01/90	R
	GS-0318 SECRETARY			5	17937	22833	544		
	GS-0322 CLERK TYPIST			6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
133	GS-0699 ULTRASOUND TEC	WASH DC MSA	ARMY	6	23628	29082	606	01/01/90	R
			NAVY	7	26252	32309	673		
			AIR FORCE	8	29081	35795	746		
				9	31297	38713	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
134	GS-0660 PHARMACIST	FT DIX NJ	ARMY	9	32121	39537	824	01/01/90	R
		MCGUIRE AFB NJ	AIR FORCE	11	35867	44831	996		
				12	39407	50153	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
135	GS-0660 PHARMACIST	FT MONMOUTH NJ	ARMY	9	32121	39537	824	01/01/90	R
				11	34871	43835	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
136	GS-0986 LEGAL CLK/TECHN	NORTHERN NJ	HOUSING & URBAN DEV	4	17489	21863	486	01/01/90	R
			JUSTICE DEPT	5	19025	23921	544		
			TREASURY DEPT	6	20598	26052	606		
			VETERANS ADMIN	7	22214	28271	673		
			ARMY	8	23859	30573	746		
				9	25529	32945	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [COVERS NJ COUNTIES OF BERGEN, ESSEX, HUDSON, PASSAIC,] [MORRIS, SOMERSET AND UNION.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
137	GS-1510 ACTUARY	WASH DC MSA	DEFENSE DEPT	5	20113	25009	544	01/01/90	R
		CHICAGO IL	ENERGY DEPT	7	24906	30963	673		
		DAYTON OH	GENERAL ACCTG OFFICE	9	30473	37889	824		
		SALT LAKE CITY	LABOR DEPT	11	36863	45827	996		
		KANSAS CITY MO	OFFICE PERSONNEL MGT	12	39407	50153	1194		
		PHILADELPHIA PA	PENSION BENFT GURNTE	13	44021	56801	1429		
		NEW YORK CY NY	RAILROAD RETMT BOARD						
			TREASURY DEPT						
			VETERANS ADMIN						
			AIR FORCE						
			AGRICULTURE DEPT						
			HOUSING & URBAN DEV						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
138	GS-1510 ACTUARY	BALTIMORE MD	HEALTH & HUMAN SVCS	5	20113	25009	544	01/01/90	R
				7	24906	30963	673		
				9	30473	37889	824		
				11	32879	41843	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
139	GS-0620 PRACTICAL NURSE	GROTON CT	NAVY	3	16879	20776	433	01/01/90	R
				4	18947	23321	486		
				5	21201	26097	544		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
140	GS-0610 NURSE CLINICAL	GROTON CT	NAVY	7	26252	32309	673	01/01/90	R
	GS-0610 NURSE EDUCATOR	NEW LONDON CT	TRANSPORTATION DEPT	9	32121	39537	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
141	GS-0303 MISC CLK & ASST	NEW YORK CY NY	COMMERCE DEPT	3	14714	18611	433	01/01/90	R
		NORTHERN NJ		4	17003	21377	486		
		WESTCHESTER NY		5	20113	25009	544		
				6	21810	27264	606		
				7	22887	28944	673		
				8	24605	31319	746		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[COVERAGE INCLUDES NEW YORK CITY AND WESTCHESTER NY; AS WELL]
[AS THE NORTHERN NJ COUNTIES OF BERGEN, ESSEX, HUDSON,]
[PASSAIC, MORRIS, SOMERSET AND UNION.]
[FIELD REPRESENTATIVE ONLY]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
142	GS-1224 PATENT EXM(BIO)	ARLINGTON VA	COMMERCE DEPT	5	21201	26097	544	01/01/90	R
				7	26252	32309	673		
				9	28825	36241	824		
				11	31883	40847	996		

[AUTHORIZATION INCREASED BY MORE THAN 3.6 PERCENT.]
[GS-11 ALSO ADDED TO AUTHORIZATION.]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
143	GS-0610 NURSE	FT DIX NJ	ARMY	5	21201	26097	544	01/01/90	R
		MCGUIRE AFB NJ	AIR FORCE	7	22887	28944	673		
				9	27177	34593	824		
				10	29020	37183	907		
				11	30887	39851	996		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
144	GS-0610 NURSE	SAN DIEGO CA	NAVY	5	21201	26097	544	01/01/90	R
				7	24906	30963	673		
				8	26843	33557	746		
				9	28825	36241	824		
				10	29927	38090	907		
				11	30887	39851	996		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
145	GS-0610 NURSE	WEST POINT NY	ARMY	7	26252	32309	673	01/01/90	R
				9	28825	36241	824		
				10	30834	38997	907		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
146	GS-0083 POLICE OFFICER	DAHLGREN VA	NAVY	3	15580	19477	433	01/01/90	R
		PATUXENT RIV MD		4	16517	20891	486		
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
				8	23113	29827	746		
				9	25529	32945	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
147	GS-0699 ULTRASOUND TEC	SPOKANE WA	AIR FORCE	5	20113	25009	544	01/01/90	R
				6	22416	27870	606		
				7	24233	30290	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
148	GS-1896 BORD PATROL AG	CALIFORNIA	JUSTICE DEPT	5	19025	23921	544	01/01/90	R
		ARIZONA		7	22214	28271	673		
		FLORIDA							
		LOUISIANA							
		NEW MEXICO							
		TEXAS							
		ALABAMA							
		MISSISSIPPI							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
149	GS-0083 POLICE OFFICER	ANNAPOLIS MD	NAVY	4	16031	20405	486	01/01/90	R
				5	17393	22289	544		
				6	18780	24234	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
150	GS-1910 QUAL ASSUR SPEC	N CENTRAL NJ	ARMY	5	21201	26097	544	01/01/90	R
			DEFENSE DEPT	7	26252	32309	673		
			GEN SERVICES ADM	9	30473	37889	824		
				10	32648	40811	907		
				11	34871	43835	996		
				12	40601	51347	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [COUNTIES COVERED ARE MONMOUTH, SOMERSET, ESSEX, PASSAIC,] [MIDDLESEX, BERGEN, HUNTERDON, WARREN, SUSSEX, MORRIS, UNION] [AND HUDSON.] [THERE ARE NO LIMITATIONS ON THE JOB SERIES.]								
151	GS-1910 QUAL ASSUR SPEC	NEW YORK NY MSA	ARMY	5	21201	26097	544	01/01/90	R
		DUTCHESS CO NY	DEFENSE DEPT	7	26252	32309	673		
		ULSTER CO NY	GEN SERVICES ADM	9	30473	37889	824		
		ORANGE CO NY	NAVY	10	32648	40811	907		
			TRANSPORTATION DEPT	11	34871	43835	996		
			JUSTICE DEPT	12	40601	51347	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [THE NEW YORK MSA INCLUDES BRONX, KINGS, NEW YORK, PUTNAM,] [QUEENS, RICHMOND, ROCKLAND AND WESTCHESTER COUNTIES.]								
152	GS-1910 QUAL ASSUR SPEC	FAIRFIELD CO CT	DEFENSE DEPT	5	21201	26097	544	01/01/90	R
			GEN SERVICES ADM	7	26252	32309	673		
			NAVY	9	30473	37889	824		
			JUSTICE DEPT	10	32648	40811	907		
				11	34871	43835	996		
				12	40601	51347	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
153	GS-0610 NURSE	SAN ANTONIO TX	AIR FORCE	4	18195	22389	466	01/01/90	R
				5	20362	25060	522		
				7	22632	28446	646		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
154	GS-0312 CLERK STENO	MERCER CO NJ	DEFENSE LOGISTICS AG	2	12539	15860	369	01/01/90	R
	GS-0322 CLERK TYPIST		COMMERCE DEPT	3	14133	17868	415		
	GS-0356 DATA TRANSCRIBE		INTERIOR DEPT	4	15398	19592	466		
	GS-0318 SECRETARY		HEALTH & HUMAN SVCS	5	16707	21405	522		
	GS-XXXX (TYPING)		NAVY						
	GS-XXXX (STENOGRAPHY)		LABOR DEPT						
	GS-XXXX (DATA TRANSCRI)		AGRICULTURE DEPT						
			DEFENSE DEPT						
			TREASURY DEPT						
			TRANSPORTATION DEPT						
			ARMY						
			AIR FORCE						
			ACTION						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
155	GS-1980 AG COMMOD GRD	WORLDWIDE	AGRICULTURE DEPT	5	18795	23493	522	01/01/90	R
				7	23279	29093	646		
				9	26898	34026	792		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [RESTRICTED TO TOBACCO GRADERS ONLY]								
156	GS-0647 DIAG RAD TEC	WASH DC MSA	ARMY	4	18195	22389	466	01/01/90	R
		FT MEADE MD	AIR FORCE	5	20362	25060	522		
			US SOLDIERS/AIRMS HM	6	22698	27936	582		
			STATE DEPT	7	25218	31032	646		
			NAVY	8	27213	33657	716		
				9	28481	35609	792		
				10	31362	39201	871		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
157	GS-0510 ACCOUNTANT	EASTERN MA	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
	GS-0511 AUDITOR		COMMERCE DEPT	7	23560	29617	673		
			CONSUM PROD SFTY COM	9	27177	34593	824		
			DEF CONTR AUDIT AGCY						
			EDUCATION DEPT						
			ENERGY DEPT						
			EXPORT-IMPORT BANK						
			ENVIRON PROTECT AGCY						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			US AGENCY INTL DEV						
			US SOLDIERS/ARMS HM						
			VETERANS ADMIN						
			U.S. COURTS						
			DEFENSE DEPT						
			NAT ENDOWMT FOR ARTS						
			NAT ENDOW FOR HUMAN						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[INCLUDES THE CITY OF BOSTON AND THE COUNTIES OF MIDDLESEX,]
[ESSEX, NORFOLK, PLYMOUTH, SUFFOLK AND WORCESTER.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
158	GS-0510 ACCOUNTANT	CONNECTICUT	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
	GS-0511 AUDITOR		COMMERCE DEPT	7	23560	29617	673		
			CONSUM PROD SFTY COM	9	27177	34593	824		
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			LABOR DEPT						
			NASA						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GUARTY						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US SOLDIERS/AIRMNS HM						
			VETERANS ADMIN						
			JUSTICE DEPT						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
159	GS-0304 INF RECEPTIONST	JUNEAU AK	AGRICULTURE DEPT	1	12900	15986	334	01/01/90	R
	GS-0305 MAIL & FILE CLK		ENERGY DEPT	2	14303	17687	376		
	GS-0309 CORRESP CLERK		INTERIOR DEPT	3	14847	18663	424		
	GS-0312 CLERK STENO		TRANSPORTATION DEPT	4	15718	20011	477		
	GS-0313 WK UNIT SUPERV		TREASURY DEPT	5	17050	21847	533		
	GS-0318 SECRETARY		ENVIRON PROTECT AGCY						
	GS-0319 CLOSED MICR RPT		OFFICE PERSONNEL MGT						
	GS-0322 CLERK TYPIST		GEN SERVICES ADM						
	GS-0332 COMPUTER OPER		COMMERCE DEPT						
	GS-0335 COMPUTER CLERK		LABOR DEPT						
	GS-0344 MGMT CLK & ASST								
	GS-0350 EQUIPMENT OPER								
	GS-0351 PRINTING CLK								
	GS-0354 BKP MACH OPER								
	GS-0355 CALC MACH OPER								
	GS-0356 DATA TRANSCRIBR								
	GS-0357 CODER								
	GS-0359 EL ACCT MACH OP								
	GS-0361 EQUAL OPP ASST								
	GS-0382 TELEPHONE OPER								
	GS-0385 TELETYPIST								
	GS-0394 COMMUNIC CLK								
	GS-0503 FINANCL CLK AST								
	GS-0525 ACCOUNTING TECH								
	GS-0530 CASH PROCESSING								
	GS-0540 VOUCHER EXAMNR								
	GS-0544 PAYROLL								
	GS-0545 MILITARY PAY								
	GS-0963 LEGAL INST EXMR								
	GS-0986 LEGAL CLK/TECHN								
	GS-0998 CLAIMS CLERK								
	GS-1001 GEN ARTS & INF								
	GS-1021 OFFICE DRAFTING								
	GS-1046 LANGUAGE CLERK								
	GS-1087 EDITORIAL ASST								
	GS-1101 GEN BUS & IND								
	GS-1106 PROCMT CLK/ASST								
	GS-1107 PROPTY DISP CLK								
	GS-1411 LIBRARY TECHN								
	GS-1421 ARCHIVES TECHN								
	GS-1531 STATISTCL ASST								
	GS-1802 COMPLIANCE INSP								
	GS-1897 CUSTOMS AID								
	GS-2001 GEN SUPPLY								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
159	GS-2091 SUPPLY CLK/TECH								
	GS-2101 TRANSPORTN SPCL								
	GS-2131 FREIGHT RATE								
	GS-2091 SALES STORE CLK								
	GS-2132 TRAVEL								
	GS-2133 PASSENGER RATE								
	GS-2134 SHIPMENT CLERK								
	GS-2151 DISPATCHER								
	GS-0590 TIME & LEAVE								
	GS-0561 BUDGET CLK/ASST								
	GS-0303 MISC CLK & ASST								
	GS-0302 MESSENGER								
	GS-0204 MIL PER CLK/TCH								
	GS-0203 PERS CLK & ASST								
	GS-0072 FINGERPRINT ID								
	GS-0134 INTELL AID/CLK								
	GS-2005 SUPPLY CLK/TECH								

(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
169	GS-0510 ACCOUNTANT	LONG ISLAND NY	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
	GS-0511 AUDITOR	NEW YORK CY NY	COMMERCE DEPT	7	23560	29617	673		
			COMMOD FUT TRD COMMI	9	27177	34593	824		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GUARTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			STATE DEPT						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US INFORMATION AGCY						
			US SOLDIERS/AIRMS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVBS						
			SELECTIVE SERVICE						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[COVERS NASSAU AND SUFFOLK COUNTIES AND THE FIVE BOROUGHS OF]
[THE CITY OF NEW YORK.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
161	GS-0510 ACCOUNTANT	NORTHERN NJ_	AGRICULTURE DEPT	5	19025	23921	544	01/01/90	R
	GS-0511 AUDITOR		COMMERCE DEPT	7	22887	28944	673		
			CONSUM PROD SFTY COM	9	27177	34593	824		
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US SOLDIERS/AIRMS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[COUNTIES COVERED ARE BERGEN, ESSEX, HUDSON, MORRIS, PASSAIC,]
[SOMERSET AND UNION.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
162	GS-0510 ACCOUNTANT	PHILADELPHIA PA	AGRICULTURE DEPT	5	19025	23921	544	01/01/90	R
	GS-0511 AUDITOR	CHESTER CO PA	COMMERCE DEPT	7	22887	28944	673		
		MONTGOMERY CO PA	CONSUM PROD SFTY COM	9	27177	34593	824		
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTY						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US SOLDIERS/AMNS HM						
			VETERANS ADMIN						
			AM BATTLE MONUMS COMM						
			PENN AVE DEVEL CORP						
			US INTL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
163	GS-0322 CLERK TYPIST	SEATTLE WA	ARMY CORPS ENGINEERS	4	15930	20052	458	01/01/90	R
				5	16657	21265	512		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [AUTHORIZATION LIMITED TO POSITIONS WHERE AT LEAST 50 PERCENT] [OF THE DUTIES INVOLVE THE OPERATION OF WORD PROCESSING] [EQUIPMENT.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
164	GS-0510 ACCOUNTANT GS-0511 AUDITOR	WASH DC MSA	AGRICULTURE DEPT COMMERCE DEPT COMMOD FUT TRD COMMI CONSUM PROD SFTY COM DEF CONTR AUDIT AGCY DEFENSE DEPT EDUCATION DEPT ENERGY DEPT ENVIRON PROTECT AGCY EQ EMPL OPP COMMISSI EXEC. OFF. PRESIDENT EXPORT-IMPORT BANK FED ELECTION COMM FED EMERG MGMT AGCY FED ENERGY REG COMM FED HM LOAN BANK BD FED LABOR REL AUTH FED MED & CONCIL SVC FED TRADE COMM GEN SERVICES ADM HEALTH & HUMAN SVCS HOUSING & URBAN DEV INTERIOR DEPT INTERSTATE COMMERCE JUSTICE DEPT LABOR DEPT NASA NAT ARCHIVES & RCDS NAT CRED UN ADMIN NAT ENDOW FOR HUMAN NAT ENDOWMT FOR ARTS NAT LABOR REL BD NAT SCIENCE FNDATION NAT TRANSP SAFETY BD OFC OF ADMINISTRATN OFFICE MGMT & BUDGT OFFICE PERSONNEL MGT PENSION BENFT GURNTE SMALL BUSINESS ADM SMITHSONIAN INST STATE DEPT TRANSPORTATION DEPT TREASURY DEPT U.S. COURTS US AGENCY INTL DEV US INFORMATION AGCY US SOLDIERS/AIRMS HM VETERANS ADMIN AM BATTLE MONUM COMM PENN AVE DEVEL CORP US INTNL TRADE COMM FED RET THRIFT INVES SELECTIVE SERVICE LIBRARY OF CONGRESS ARCHITECT OF CAPITOL ACTION	5 7 9	19025 22887 27177	23921 28944 34593	544 673 824	01/01/90	R

(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
165	GS-0510 ACCOUNTANT	SN JOSE CA CMSA	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
	GS-0511 AUDITOR	SF/OAK CA PMSA	COMMERCE DEPT	7	23560	29617	673		
		SOLANO CO CA	CONSUM PROD SFTY COM	9	27177	34593	824		
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE PERSONNEL MGT						
			OFFICE MGMT & BUDGT						
			PENSION BENFT GUARTY						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US SOLDIERS/AIRMS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						
			FED RET THRIFT INVES						
			SELECTIVE SERVICE						
			ARCHITECT OF CAPITOL						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[INCLUDES THE CITY OF SAN JOSE, SANTA CLARA COUNTY, CITY AND]
[COUNTY OF SAN FRANCISCO, CITY OF OAKLAND AND THE COUNTIES OF]
[ALAMEDA, CONTRA COSTA, MARIN, SAN MATEO AND SOLANO.]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
166	GS-0510 ACCOUNTANT	LOS ANGLS CO CA	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
	GS-0511 AUDITOR	ORANGE CO CA	COMMERCE DEPT	7	23560	29617	673		
			COMMOD FUT TRD COMMI	9	27177	34593	824		
			CONSUM PROD SFTY COM						
			DEF CONTR AUDIT AGCY						
			DEFENSE DEPT						
			EDUCATION DEPT						
			ENERGY DEPT						
			ENVIRON PROTECT AGCY						
			EXPORT-IMPORT BANK						
			FED ELECTION COMM						
			FED EMERG MGMT AGCY						
			FED ENERGY REG COMM						
			FED HM LOAN BANK BD						
			FED LABOR REL AUTH						
			FED TRADE COMM						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			HOUSING & URBAN DEV						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT ARCHIVES & RCDS						
			NAT CRED UN ADMIN						
			NAT ENDOW FOR HUMAN						
			NAT ENDOWMT FOR ARTS						
			NAT LABOR REL BD						
			NAT TRANSP SAFETY BD						
			OFC OF ADMINISTRATN						
			OFFICE MGMT & BUDGT						
			OFFICE PERSONNEL MGT						
			PENSION BENFT GURNTE						
			SMALL BUSINESS ADM						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			U.S. COURTS						
			US AGENCY INTL DEV						
			US SOLDIERS/AMNS HM						
			VETERANS ADMIN						
			AM BATTLE MONUM COMM						
			PENN AVE DEVEL CORP						
			US INTNL TRADE COMM						

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
166			FED RET THRIFT INVES SELECTIVE SERVICE						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
167	GS-0303 MISC CLK & ASST	BARROW AK	HEALTH & HUMAN SVCS	1	12980	15986	334	01/01/90	R
	GS-0318 SECRETARY			2	14679	18063	376		
	GS-0322 CLERK TYPIST			3	16543	20359	424		
	GS-XXXX (TYPING)			4	18578	22871-	477		
				5	20780	25577	533		
				6	23166	28521	595		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
168	GS-XXXX (TYPING)	BETHEL AK	HEALTH & HUMAN SVCS	1	11608	14020	VARIES**	01/01/90	R
	GS-2132 TRAVEL		INTERIOR DEPT	2	13926	17310	378		
	GS-2005 SUPPLY CLK/TECH		TRANSPORTATION DEPT	3	15695	19511	424		
	GS-1101 GEN BUS & IND			4	17624	21917	477		
	GS-0540 VOUCHER EXAMNR			5	19714	24511	533		
	GS-0525 ACCOUNTING TECH			6	20788	26143	595		
	GS-0203 PERS CLK & ASST								
	GS-0303 MISC CLK & ASST								
	GS-0318 SECRETARY								
	GS-0322 CLERK TYPIST								
	GS-0382 TELEPHONE OPER								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [OCCSER 1101 LIM TO 1 GRADE INTERVAL WORK ONLY] ** [STEP2=11623 STEP3=11916 STEP4=12205 STEP5=12518 STEP6-12818 STEP7=13120 STEP8=13420 STEP9=13722]								
169	GS-0083 POLICE OFFICER	INDN SPGS AFAF	AIR FORCE	5	19070	23966	544	01/01/90	R
				6	20871	26125	606		
				7	22309	28366	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
170	GS-0085 GUARD	BALTIMORE CO MD	ARMY	3	15147	19044	433	01/01/90	R
		ANNE ARUNDEL CO	NAVY	4	16031	20405	486		
		BALTIMORE MD	DEFENSE INVESTIG SVC	5	17393	22289	544		
				6	18780	24234	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
171	GS-0085 GUARD	PICATINNY AR NJ	ARMY	4	16517	20891	486	01/01/90	R
				5	17393	22289	544		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
173	GS-0610 NURSE	ALBUQUERQUE NM	AIR FORCE	5	20382	25060	522	01/01/90	R
			ENERGY DEPT	7	24906	30963	673		
				9	27177	34593	824		
				11	30887	39851	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
174	GS-0083 POLICE OFFICER	PHILADELPHIA PA	DEFENSE AGENCIES	3	16879	20778	433	01/01/90	R
	GS-0085 GUARD	MONTGOMERY CO PA	TREASURY DEPT	4	17975	22349	486		
			GEN SERVICES ADM	5	19025	23921	544		
				6	20598	26052	606		
				7	22214	28271	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
175	GS-0083 POLICE OFFICER	SAN FRAN CA	GEN SERVICES ADM	5	19025	23921	544	01/01/90	R
			TREASURY DEPT	6	20598	26052	606		
				7	22214	28271	673		
				8	23850	30573	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
176	GS-0083 POLICE OFFICER	WEST POINT NY	TREASURY DEPT	5	19025	23921	544	01/01/90	R
				6	20598	26052	606		
				7	22214	28271	673		
				8	23859	30573	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
177	GS-0610 NURSE CLINICAL	COLUMBIA SC	ARMY	9	26353	33769	824	01/01/90	R
				10	28113	36276	907		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
178	GS-0322 CLERK TYPIST	PORTLAND OR VANCOUVER WA	VETERANS ADMIN	3	14714	18611	433	01/01/90	R
				4	16031	20405	486		
				5	17393	22289	544		
				6	18780	24234	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
179	GS-0647 DIAG RAD TEC	FT ORD CA	ARMY	5	21201	26097	544	01/01/90	R
				6	23628	29082	606		
				7	24906	30963	673		
				8	26843	33557	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
180	GS-0633 PHYSICAL THERAP	WASH DC MSA	US SOLDIERS/AMNS HM ARCHITECT OF CAPITOL ARMY	5	21201	26097	544	01/01/90	R
				7	26252	32309	673		
				9	31297	38713	824		
				10	32648	40811	907		
				11	33075	42039	996		
				12	38213	48959	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
181	GS-0083 POLICE OFFICER	BOSTON MA	GEN SERVICES ADM	4	16517	20891	486	01/01/90	R
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
182	GS-0083 POLICE OFFICER	NEW YORK MSA NY	ARMY	4	16517	20891	486	01/01/90	R
			GEN SERVICES ADM	5	17937	22833	544		
			NAVY	6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
183	GS-0083 POLICE OFFICER	CHICAGO IL	GEN SERVICES ADM	4	16517	20891	486	01/01/90	R
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
184	GS-0610 NURSE	FAIRFIELD CA	AIR FORCE	9	30473	37889	824	01/01/90	R
		VALLEJO CA	NAVY	10	32648	40811	907		
				11	34871	43835	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
185	GS-0083 POLICE OFFICER	GROTON CT	NAVY	4	17975	22349	486	01/01/90	R
				5	19025	23921	544		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
186	GS-0085 GUARD	GROTON CT	NAVY	1	12717	15561	316	01/01/90	R
				2	14383	17704	369		
				3	15795	19530	415		
				4	17263	21457	466		
				5	19025	23921	544		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
187	GS-0312 CLERK STENO	W'CHESTER CO NY	HEALTH & HUMAN SVCS	2	14679	18063	376	01/01/90	R
	GS-0322 CLERK TYPIST		JUSTICE DEPT	3	16119	19935	424		
	GS-0356 DATA TRANSCRIBR		TRANSPORTATION DEPT	4	17148	21441	477		
	GS-XXXX (TYPING)		TREASURY DEPT	5	18117	22914	533		
	GS-XXXX (STENOGRAPHY)		VETERANS ADMIN	6	19006	24361	595		
	GS-XXXX (DATA TRANSCRI)								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
188	GS-0610 NURSE	FT KNOX KY	ARMY	7	22214	28271	673	01/01/90	R
				8	24605	31319	746		
				9	26353	33769	824		
				10	29020	37183	907		
				11	30087	39051	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
189	GS-0660 PHARMACIST	FT LEWIS WA	ARMY	9	31297	38713	824	01/01/90	R
				11	34871	43835	996		
				12	37019	47765	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
190	GS-0312 CLERK STENO	NEW YORK CY NY	JD US ATTY SO DIS NY	7	26252	32309	673	01/01/90	R
		WHITE PLAINS NY		8	29081	35795	746		
				9	32121	39537	824		
				10	35369	43532	907		
				11	38855	47819	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
	[LIMITED TO SHORTHAND REPORTERS ONLY.]								
191	GS-0085 GUARD	WASH DC MSA	DEFENSE AGENCIES	3	14714	18611	433	01/01/90	R
		DAHLGREN VA	NAT GALLERY OF ART	4	16517	20891	486		
		VINT HL FARM VA	SMITHSONIAN INST	5	17937	22833	544		
			AGRICULTURE DEPT	6	19386	24840	606		
			COMMERCE DEPT	7	20868	26925	673		
			FED EMERG MGMT AGCY						
			JUSTICE DEPT						
			US INFORMATION AGCY						
			INTERIOR DEPT						
			EDUCATION DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
192	GS-0660 PHARMACIST	FT CAMPBELL KY	ARMY	9	29649	37065	824	01/01/90	R
				11	33875	42839	996		
				12	37019	47765	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
193	GS-621 NURSING ASST	FT DEVENS MA	ARMY	4	16031	20405	486	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
194	GS-AAAA ALL SERIES	FT IRWIN CA	ARMY	1	11637	14249	VARIES**	01/01/90	R
				2	12910	16125	VARIES**		
				3	14281	18178	433		
				4	15545	19919	486		
				5	17393	22289	544		
				6	19386	24840	606		
				7	21541	27598	673		
				8	23113	29827	746		
				9	25529	32945	824		
				10	28113	36276	907		
				11	30887	39851	996		
				12	37019	47765	1194		
				13	44021	56801	1420		
				14	52020	67122	1678		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[THIS AUTHORIZATION COVERS ALL GS AND GM POSITIONS EXCEPT]
[ENGINEERING POSITIONS COVERED UNDER TABLES 195, 200, 415]
[AND 417.]
[ALL SERIES EXCLUDING ENGINEERS ON WORLDWIDE SPECIAL RATES]
** [STEP2=11990 STEP3=12197 STEP4=12544 STEP5=12893 STEP6=12910 STEP7=13232 STEP8=13571 STEP9=13910]
STEP2=13053 STEP3=13437 STEP4=13821 STEP5=14205 STEP6=14580 STEP7=14973 STEP8=15357 STEP9=1[illegible]]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
195	GS-0801 ENG GENERAL	FT IRWIN CA	ARMY	5	21201	28097	544	01/01/90	R
	GS-0803 ENG SAFETY			7	26252	32309	673		
	GS-0804 ENG FIRE PREVEN			9	32121	39537	824		
	GS-0806 ENG MATERIALS			11	34843	43636	977		
	GS-0807 LANDSCAPE ARCHT			12	37840	48388	1172		
	GS-0808 ARCHITECT								
	GS-0810 ENG CIVIL								
	GS-0819 ENG ENVIRONMENL								
	GS-0830 ENG MECHANICAL								
	GS-0858 ENG BIOMEDICAL								
	GS-0861 ENG AEROSPACE								
	GS-0871 NAVAL ARCHITECT								
	GS-0890 ENG AGRICULTURE								
	GS-0892 ENG CERAMICS								
	GS-0893 ENG CHEMICAL								
	GS-0894 ENG WELDING								
	GS-0896 ENG INDUSTRIAL								

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

	AUTHORIZATION COVERS:								
TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
196	GS-1831 SECUR COMPL EXA	LOS ANGELES CA	SEC & EXCHANGE COMM	5	19569	24465	544	01/01/90	R
				7	23560	29617	673		
				9	27177	34593	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
197	GS-1831 SECUR COMPL EXA	NEW YORK CY NY	SEC & EXCHANGE COMM	5	19569	24465	544	01/01/90	R
				7	23560	29617	673		
				9	27177	34593	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
198	GS-2091 SALES STORE CLK	WASH DC MSA	ARMY	1	12893	15605	VARIES**	01/01/90	R
			AIR FORCE	2	13821	17277	384		
			DEFENSE DEPT	3	15580	19477	433		
			NAVY	4	16517	20891	486		
				5	17937	22833	544		
				6	19386	24840	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
	** [STEP2=12910 STEP3=13232 STEP4=13571 STEP5=13910 STEP6=14249 STEP7=14588 STEP8=14927 STEP9=15266]								
199	GS-1529 MATH STATISTICN	PALO ALTO CA	VETERANS ADMIN	9	30473	37889	824	01/01/90	R
				11	32879	41843	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
200	GS-0840 ENG NUCLEAR GS-0850 ENG ELECTRICAL GS-0854 ENG COMPUTER GS-0855 ENG ELECTRONICS	FT IRWIN CA	ARMY	5	21201	26097	544	01/01/90	R
				7	26252	32309	673		
				9	32121	39537	824		
				11	35360	44153	977		
				12	39831	50784	1217		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:								
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
201	GS-1863 FOOD INSPECTOR	BERGEN CO NJ	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
	GS-1382 FOOD TECHNOLOGI	BRONX CO NY		7	22887	28944	673		
		ESSEX CO NJ		8	25351	32065	746		
		FAIRFIELD CO CT		9	27177	34593	824		
		HUDSON CO NJ		10	29020	37183	907		
		KINGS CO NY							
		MIDDLESEX CO NJ							
		MONMOUTH CO NJ							
		NASSAU CO NY							
		NEW YORK CO NY							
		PASSAIC CO NJ							
		QUEENS CO NY							
		RICHMOND CO NY							
		ROCKLAND CO NY							
		SUFFOLK CO NY							
		UNION CO NJ							
		W'CHESTER CO NY							
[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]									
202	GS-0647 DIAG RAD TEC	FT DIX NJ	ARMY	5	20113	25009	544	01/01/90	R
				6	23022	28476	606		
				7	25579	31636	673		
[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]									
203	GS-0649 DIAG MED SONOGR	DIX/MCGUIRE NJ	ARMY	7	25579	31636	673	01/01/90	R
				8	28335	35049	746		
				9	31297	38713	824		
[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]									
204	GS-0610 NURSE	FT BLISS TX	ARMY	5	21201	26097	544	01/01/90	R
				7	24233	30290	673		
				9	28825	36241	824		
				10	31741	39904	907		
				11	34871	43835	996		
[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]									

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
205	GS-0085 GUARD	PORTSMTH STD NH	NAVY	4	16031	20405	486	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
206	GS-0648 THER RAD TEC	HONOLULU HI	ARMY	7	24233	30290	673	01/01/90	R
				8	26843	33557	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
207	GS-0620 PRACTICAL NURSE	FT DEVENS MA	ARMY	5	20113	25009	544	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
208	GS-0601 CYTOGENETICS TE	SAN DIEGO CA	NAVY	5	21201	26097	544	01/01/90	R
				7	24233	30290	673		
				8	26097	32811	746		
				9	28001	35417	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
209	GS-0646 CYTOLOGY TECH	SAN DIEGO CA	NAVY	5	21201	26097	544	01/01/90	R
				6	22416	27870	606		
				7	24233	30290	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
210	GS-0660 PHARMACIST	JACKSONVILLE FL	NAVY	11	36863	45827	996	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
211	GS-0633 PHYSICAL THERAP	YOKOSUKA JAPAN	NAVY	9	29665	37081	824	01/01/90	R
				11	35892	44856	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
212	GS-0631 OCCUP THERAPIST	YOKOSUKA JAPAN	NAVY	9	29665	37081	824	01/01/90	R
				11	35892	44856	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
213	GS-0660 PHARMACIST	PENSACOLA FL	NAVY	11	32879	41843	996	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
214	GS-0610 NURSE	FT DEVENS MA	ARMY	7	26252	32309	673	01/01/90	R
		BEDFORD MA	AIR FORCE	9	32121	39537	824		
		BOSTON MA	HEALTH & HUMAN SVCS	10	33555	41718	907		
		NATICK MA		11	35867	44831	996		
		WATERTOWN MA							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
215	GS-0610 NURSE	TACOMA WA	ARMY	7	24233	30290	673	01/01/90	R
				9	27177	34593	824		
				10	28113	36276	907		
				11	30887	39851	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
216	GS-0085 GUARD	CUMBERLAND CO PA	ARMY	4	16031	20405	486	01/01/90	R
		YORK CO PA	NAVY	5	17393	22289	544		
				6	18780	24234	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR. EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
217	GS-0660 PHARMACIST	LAKE COUNTY IL	DEFENSE DEPT	9	32121	39537	824	01/01/90	R
				10	35369	43532	907		
				11	37859	46823	996		
				12	40601	51347	1194		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
218	GS-0642 NUC MED TECH	HONOLULU HI	ARMY	9	26353	33769	824	01/01/90	R
				10	29020	37183	907		
				11	31883	40847	996		
				12	38213	48959	1194		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
219	GS-0083 POLICE OFFICER	LAPEER CO MI	ARMY	4	17003	21377	486	01/01/90	R
		LIVINGSTON CO M	AIR FORCE	5	18481	23377	544		
		MACOMB CO MI	GEN SERVICES ADM	6	19992	25446	606		
		MONROE CO MI		7	21541	27598	673		
		OAKLAND CO MI		8	23113	29827	746		
		ST CLAIR CO MI							
		WAYNE CO MI							

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
220	GS-AAAA ALL SERIES	JOHNSTON ISLAND	ARMY	1	13232	16283	339	01/01/90	R
			ENERGY DEPT	2	14973	18429	384		
				3	16879	20776	433		
				4	18947	23321	486		
				5	21201	26097	544		
				6	23628	29082	606		
				7	26252	32309	673		
				8	29081	35795	746		
				9	32121	39537	824		
				10	35369	43532	907		
				11	38855	47819	996		
				12	46571	57317	1194		
				13	55381	68161	1420		
				14	65444	78950	VARIES**		
				15	76902	86122	VARIES**		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[MAXIMUM PAYABLE RATE IS 78200.]

** [STEP2=67122 STEP3=68800 STEP4=70478 STEP5=72156 STEP6=73834
STEP7=75512 STEP8=77190 STEP9=78190
** [STEP2=78190 STEP3=79337 STEP4=81272 STEP5=83206 STEP6=85142
STEP7=85470 STEP8=85500 STEP9=85500

EFFECTIVE FIRST DAY OF FIRST PAY PERIOD BEGINNING ON OR AFTER
FEBRUARY 1, 1990
GS-15 STEP8=85505 STEP9=87364 STEP10=89222

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
222	GS-0457 SOIL CONSERVAT	BERGEN CO NJ	AGRICULTURE DEPT	9	29649	37065	824	01/01/90	R
	GS-0470 SOIL SCIENTIST	CONNECTICUT		11	34363	43336	997		
		ESSEX CO NJ		12	38637	49392	1195		
		HILLSBORO CO NH							
		HUDSON CO NJ							
		MASSACHUSSETTS							
		MERCER CO NJ							
		MIDDLESEX CO NJ							
		MONTGOMERY CO MD							
		MONMOUTH CO NJ							
		MORRIS CO NJ							
		NASSAU CO NY							
		PASSAIC CO NJ							
		ROCKINGHM CO NH							
		ROCKLAND CO NY							
		SUFFOLK CO NY							
		UNION CO NJ							
		WESTCHESTER NY							
		STRAFFORD CO NH							
		HUNTERDON CO NJ							
		SOMERSET CO NJ							
		SUSSEX CO NJ							
		WARREN CO NJ							
		RHODE ISLAND RI							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
223	GS-1370 CARTOGRAPHER	WASH DC MSA	COMMERCE DEPT	5	21201	26097	544	01/01/90	R
			DEFENSE DEPT	7	26252	32309	673		
			INTERIOR DEPT	9	28825	36241	824		
			AGRICULTURE DEPT	11	32879	41843	996		
			STATE DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
224	GS-1320 CHEMIST	NATIONWIDE	JUSTICE DEPT	5	21201	26097	544	01/01/90	R
			TREASURY DEPT	7	26252	32309	673		
			DEFENSE DEPT	9	28001	35417	824		
				11	31883	40847	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
	[LIMITED TO FORENSIC CHEMISTS ONLY]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:			GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS						
225	GS-0640 ECHOCARDIO TEC	HONOLULU HI	ARMY	8	25351	32065	746	01/01/90	N
				9	28001	35417	824		
	[AGENCY REQUEST FOR AN INCREASE WAS DISAPPROVED LEAVING THE] [SPECIAL RATES THE SAME AS WERE IN EFFECT 01/01/90.]								
226	GS-0620 VOCATIONL NURSE GS-0620 PRACTICAL NURSE	FT MONMOUTH NJ	ARMY	5	17937	22833	544	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
227	GS-0610 NURSE	CAMP LEJEUNE NC	NAVY	5	21201	26097	544	01/01/90	R
		CHERRY POINT NC	DEFENSE DEPT	7	25579	31636	673		
				9	28001	35417	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
228	GS-0085 GUARD	NATICK MA	ARMY	4	16517	20891	486	01/01/90	R
		WATERTOWN MA		5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
229	GS-0660 PHARMACIST	HONOLULU HI	ARMY	11	36863	45827	996	01/01/90	R
			NAVY	12	39407	50153	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
230	GS-0610 NURSE	HONOLULU HI	ARMY	9	29649	37065	824	01/01/90	R
			NAVY	10	32648	40811	907		
				11	35867	44831	996		
				12	38213	48959	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
231	GS-0083 POLICE OFFICER	LOS ANGLS CO CA ANAHEIM CA SANTA ANA CA	GEN SERVICES ADM	4	17975	22349	486	01/01/90	R
				5	19025	23921	544		
				6	20598	26052	606		
				7	22214	28271	673		
				8	24605	31319	746		
				9	26353	33769	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
232	GS-0083 POLICE OFFICER	CLEVELAND OH	GEN SERVICES ADM	4	17975	22349	486	01/01/90	R
				5	19025	23921	544		
				6	20598	26052	606		
				7	22214	28271	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
233	GS-0651 RESPIRATRY THER	HONOLULU HI	ARMY	7	26190	32247	673	01/01/90	R
				9	29649	37065	824		
				10	32648	40811	907		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
234	GS-0620 PRACTICAL NURSE	CHARLESTON SC	NAVY	4	16031	20405	486	01/01/90	R
				5	17937	22833	544		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
235	GS-0610 NURSE	CHARLESTON SC	NAVY	5	20113	25009	544	01/01/90	R
				7	23560	29617	673		
				8	25351	32065	746		
				9	27177	34593	824		
				11	31883	40847	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
236	GS-0644 MED TECHNOLGIST	OAKLAND CA	ARMY	7	22887	28944	673	01/01/90	R
		SAN FRAN CA	NAVY	9	30473	37889	824		
				11	33875	42839	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
237	GS-0645 MED TECHNICIAN	OAKLAND CA	ARMY	4	16517	20891	486	01/01/90	R
		SAN FRAN CA	NAVY	5	18481	23377	544		
				6	20598	26052	606		
				7	22214	28271	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
238	GS-0610 NURSE	NORFOLK VA	NAVY	5	20113	25009	544	01/01/90	R
		PORTSMOUTH VA	AIR FORCE	7	23560	29617	673		
		VA BEACH VA		8	26097	32811	746		
		YORKTOWN VA		9	28825	36241	824		
		HAMPTON VA		10	31741	39904	907		
		NEWPORT NEWS VA		11	34871	43835	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
239	GS-0610 NURSE ANESTHETI	REDSTONE ARS AL	ARMY	11	38855	47819	996	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
240	GS-0601 CYTOLOGIST	HONOLULU HI	ARMY	9	28825	36241	824	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
241	GS-0025 PARK RANGER	NEW YORK CY NY	INTERIOR DEPT	2	14973	18429	384	01/01/90	R
		ESSEX CO NJ		3	16879	20776	433		
		SUFFOLK CO NY		4	18947	23321	486		
		NASSAU CO NY		5	21201	26097	544		
		MONMOUTH CO NJ		6	23022	28476	606		
		MORRIS CO NJ		7	24906	30963	673		
				9	27177	34593	824		
				11	30887	39851	996		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
242	GS-0007 CORRECT OFFICER	CHICAGO IL	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
243	GS-0007 CORRECT OFFICER	SAN DIEGO CA	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
244	GS-0007 CORRECT OFFICER	MIAMI FL	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
245	GS-0007 CORRECT OFFICER	PLEASANTON CA	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
246	GS-0007 CORRECT OFFICER	RAY BROOK NY	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
247	GS-0007 CORRECT OFFICER	MILAN MI	JUSTICE DEPT	6	22416	27870	606	01/01/90	R
				7	23560	29617	673		
				8	24605	31319	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
248	GS-0633 PHYSICAL THERAP	GROTON CT	NAVY	7	26252	32309	673	01/01/90	R
				9	32121	39537	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
249	GS-0646 CYTOLOGY TEC	GROTON CT	NAVY	7	22887	28944	673	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
250	GS-0682 DENTAL HYGIENST	FT STEWART GA	ARMY	4	18947	23321	486	01/01/90	R
				5	21201	26097	544		
				6	23628	29082	606		
				7	24233	30290	673		
				8	26843	33557	746		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
251	GS-0018 SAF OCC HLTH AD	NATIONWIDE	AIR FORCE	12	40601	51347	1194	01/01/90	R
	GS-0301 AIR COMMANDER		AIR NATIONAL GUARD	13	48281	61061	1420		
	GS-2181 PILOT		AIR FORCE RESERVE	14	53698	68800	1678		
	GS-0340 PROG MGMT SPEC								
	GS-2101 TRANSPORTN SPCL								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR. EFF 01/01/90] [APPLIES TO PILOTS ONLY-AIR/VICE AIR COMMANDER, AIRPLANE PILOT/FLIGHT INSTR.] [HELICOPTER PILOT/FLIGHT INSTR..AIRCRAFT/ ASST AIRCRAFT OPERATIONS OFFICER] [AIR OPERATIONS & WARNING SYSTEM MANAGER, AIRCRAFT RANGE SAFETY OFFICER] [SAFETY & OCC HEALTH MANAGER (PILOT), MAINTENANCE TEST PILOT]								
252	GS-0601 CYTOTECHNOLGST	WASH DC MSA	ARMY	5	21201	26097	544	01/01/90	R
			AIR FORCE	7	26252	32309	673		
			NAVY	9	31297	38713	824		
				11	36863	45827	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
253	GS-1515 OPER RES ANALYS	ALAMEDA CO CA	NAVY	5	20113	25009	544	01/01/90	R
	GS-1520 MATHEMATICIAN	CNTRA CST CO CA	ARMY	7	24906	30963	673		
	GS-1529 MATH STATISTICN	MARIN CO CA	AGRICULTURE DEPT	9	30473	37889	824		
	GS-1550 COMP SCIENTIST	SAN FRAN CO CA	INTERIOR DEPT	11	33875	42839	996		
		SAN MATEO CO CA		12	37019	47765	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
254	GS-0085 GUARD	CHICAGO IL	AIR FORCE	4	16517	20891	486	01/01/90	R
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
255	GS-0134 INTELL AID/CLK	MONMOUTH CO NJ	ARMY	2	12574	15743	VARIES**	01/01/90	R
	GS-0203 PERS CLK & ASST		AGRICULTURE DEPT	3	14281	18178	433		
	GS-0204 MIL PER CLK/TCH		COMMERCE DEPT	4	15545	19919	486		
	GS-0305 MAIL & FILE CLK		INTERIOR DEPT	5	16849	21745	544		
	GS-0312 CLERK STENO		NAVY						
	GS-0318 SECRETARY		DEFENSE DEPT						
	GS-0322 CLERK TYPIST		JUSTICE DEPT						
	GS-0344 MGMT CLK & ASST								
	GS-0361 EQUAL OPP ASST								
	GS-0394 COMMUNIC CLK								
	GS-0503 FINANCL CLK AST								
	GS-0525 ACCOUNTING TECH								
	GS-0540 VOUCHER EXAMNR								
	GS-0544 PAYROLL								
	GS-0561 BUDGET CLK/ASST								
	GS-0675 MED REC TEC								
	GS-0679 MEDICAL CLERK								
	GS-0986 LEGAL CLK/TECH								
	GS-1105 PURCHASER								
	GS-1106 PROCMT CLK/ASST								
	GS-1411 LIBRARY TECHN								
	GS-2005 SUPPLY CLK/TECH								
	GS-2102 TRANSP CLK/ASST								
	GS-XXXX (TYPING)								
	GS-XXXX (STENOGRAPHY)								
	GS-XXXX (DATA TRANSCRI)								

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[SPECIAL RATES APPLY ONLY TO THOSE SERIES WITH THE]
[PARENTHETICAL TITLES OF TYPING, STENOGRAPHY OR DATA]
[TRANSCRIBING AS WELL AS SERIES 312 AND 322.]

** [STEP2=12910 STEP3=13055 STEP4=13439 STEP5=13823 STEP6=14207 STEP7=14591 STEP8=14975 STEP9=15359]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
256	GS-0462 FORESTRY TECH	LOS ANGLS CO CA	AGRICULTURE DEPT	2	14225	17681	384	01/01/90	R
				3	16013	19910	433		
				4	17975	22349	486		
				5	20113	25009	544		
				6	21810	27264	606		
				7	23560	29617	673		
				8	25351	32065	746		
				9	26353	33769	824		
				10	28113	36276	907		
				11	30887	39851	996		
				12	37019	47765	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
257	GS-0025 PARK RANGER	BOSTON MA ESSEX CO MA MIDDLESEX CO MA SUFFOLK CO MA BROOKLINE MA NORFOLK CO MA CAMBRIDGE MA	INTERIOR DEPT	3	14714	18611	433	01/01/90	R
				4	16517	20891	486		
				5	17937	22833	544		
				6	19992	25446	606		
				7	22214	28271	673		
				9	25529	32945	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
258	GS-0647 DIAG RAD TEC	HONOLULU HI	ARMY	6	19992	25446	606	01/01/90	R
				7	22214	28271	673		
				8	24605	31319	746		
				9	26353	33769	824		
				10	28113	36276	907		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
259	GS-1601 POWER PLANT SUP	NATIONWIDE	ARMY CORPS ENGINEERS	11	32879	41843	996	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
260	GS-0620 VOCATIONL NURSE	FT BLISS TX	ARMY	5	19569	24465	544	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
261	GS-0620 PRACTICAL NURSE	AURORA CO	ARMY	5	19025	23921	544	01/01/90	R
				6	21204	26658	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
262	GS-0610 NURSE ANESTHETI	FORT LEE VA	ARMY	11	38855	47819	996	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
263	GS-0510 ACCOUNTANT GS-0511 AUDITOR	LAKE COUNTY IL COOK COUNTY IL DUPAGE CO IL	AGRICULTURE DEPT COMMOD FUT TRD COMMI DEFENSE DEPT EDUCATION DEPT ENERGY DEPT ENVIRON PROTECT AGCY GEN SERVICES ADM HEALTH & HUMAN SVCS HOUSING & URBAN DEV JUSTICE DEPT LABOR DEPT NAT CRED UN ADMIN VETERANS ADMIN RAILROAD RETMT BOARD SMALL BUSINESS ADM TRANSPORTATION DEPT TREASURY DEPT	5 7 9	19025 22887 27177	23921 28944 34593	544 673 824	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [THIS AUTHORIZATION EXCLUDES THE INTERNAL REVENUE SERVICE] [FROM THE POSITIONS COVERED AT TREASURY.]								
264	GS-0610 NURSE ANESTHETI	WASH DC MSA	ARMY	12	46571	57317	1194	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [THIS TYPE OF GS-610 NURSE SPECIALTY IS NO LONGER COVERED] [UNDER TABLE 304.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
265	GS-1102 CONTRACT/PROCUR	LOS ANGLS CO CA	DEFENSE DEPT	5	18741	23637	544	01/01/90	R
		ORANGE CO CA	AGRICULTURE DEPT	7	23224	29291	673		
			GEN SERVICES ADM	9	28410	35826	824		
			JUSTICE DEPT	11	31883	40847	996		
			SMALL BUSINESS ADM	12	37019	47765	1194		
			INTERIOR DEPT						
			VETERANS ADMIN						
			NASA						
			TRANSPORTATION DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
266	GS-1170 REALTOR	LOS ANGLS CO CA	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
		ORANGE CO CA	ARMY	7	24233	30290	673		
			GEN SERVICES ADM	9	28825	36241	824		
			NAVY	11	34871	43835	996		
			TRANSPORTATION DEPT	12	39407	50153	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
267	GS-1170 REALTOR	BRONX CO NY	ARMY	5	19569	24465	544	01/01/90	R
		KINGS CO NY	GEN SERVICES ADM	7	24233	30290	673		
		NEW YORK CO NY	TRANSPORTATION DEPT	9	28825	36241	824		
		PUTNAM CO NY		11	34871	43835	996		
		QUEENS CO NY		12	39407	50153	1194		
		RICHMOND CO NY							
		ROCKLAND CO NY							
		W CHESTER CO NY							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
268	GS-1170 REALTOR	ALAMEDA CO CA	AGRICULTURE DEPT	5	19569	24465	544	01/01/90	R
		CNTRA CST CO CA	ARMY	7	24233	30290	673		
		MARIN CO CA	ENERGY DEPT	9	28825	36241	824		
		SAN FRAN CO CA	GEN SERVICES ADM	11	34871	43835	996		
		SAN MATEO CO CA	NAVY	12	39407	50153	1194		
			TRANSPORTATION DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
269	GS-0696 CONS SAFE SPEC	LOS ANGLS CO CA	HEALTH & HUMAN SVCS	5	20113	25009	544	01/01/90	R
		ORANGE CO CA		7	22887	28944	673		
		SAN DIEGO CO CA		9	27177	34593	824		
		SNTA BARB CO CA		11	31083	40047	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
270	GS-0696 CONS SAFE SPEC	BERKS CO PA	HEALTH & HUMAN SVCS	5	19569	24465	544	01/01/90	R
		CHESTER CO PA		7	22214	28271	673		
		DAUPHIN CO PA							
		DELAWARE CO PA							
		LANCASTER CO PA							
		LEBANON PA							
		MNTGOMERY CO PA							
		N'HAMPTON CO PA							
		PHILA CO PA							
		YORK CO PA							
		BUCKS CO PA							
		LEHIGH CO PA							
		KENT CO DE							
		NEW CASTLE DE							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
271	GS-0696 CONS SAFE SPEC	FAIRFIELD CO CT	HEALTH & HUMAN SVCS	5	19569	24465	544	01/01/90	R
		HARTFORD CO CT		7	22214	28271	673		
		SUFFOLK CO MA							
		MIDDLESEX CO MA							
		WORCESTER CO-MA							
		PROVIDENC CO RI							
		CHITTNDN CO VT							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
272	GS-0696 CONS SAFE SPEC	BROOKLYN CO NY	HEALTH & HUMAN SVCS	5	19569	24465	544	01/01/90	R
		KINGS CO NY		7	22214	28271	673		
		NEW YORK CO NY							
		NASSAU CO NY							
		QUEENS CO NY							
		ROCKLAND CO NY							
		RICHMOND CO NY							
		SUFFOLK CO NY							
		W'CHESTER CO NY							

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
273	GS-0696 CONS SAFE SPEC	CLAYTON CO GA	HEALTH & HUMAN SVCS	5	18481	23377	544	01/01/90	R
		COBB CO GA		7	20868	28925	673		
		DEKALB CO GA							
		DOUGLAS CO GA							
		FULTON CO GA							
		GWINNETT CO GA							

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
274	GS-0696 CONS SAFE SPEC	ALAMEDA CO CA	HEALTH & HUMAN SVCS	5	19569	24465	544	01/01/90	R
		CNTRA CST CO CA		7	22214	28271	573		
		MARIN CO CA							
		SAN FRAN CO CA							
		SAN MATEO CO CA							
		SNTA CLRA CO CA							
		SONOMA CO CA							

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
275	GS-0696 CONS SAFE SPEC	BURLINGTN CO NJ	HEALTH & HUMAN SVCS	5	19569	24465	544	01/01/90	R
		CAMDEN CO NJ		7	22214	28271	673		
		ESSEX CO NJ							
		MERCER CO NJ							
		MIDDLESEX CO NJ							
		MORRIS CO NJ							
		UNION CO NJ							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
276	GS-0601 CYTOTECHNOLGST	PORTSMOUTH VA	NAVY	5	21201	26097	544	01/01/90	R
				7	26252	32309	673		
				9	31297	38713	824		
				11	35867	44831	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
277	GS-0646 CYTOLOGY TEC	PORTSMOUTH VA	NAVY	5	21201	26097	544	01/01/90	R
				6	23628	29082	606		
				7	26252	32309	673		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
278	GS-0601 CYTOTECHNOLGST	SCOTT AFB IL	AIR FORCE	9	31297	38713	824	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
279	GS-0025 PARK RANGER	PHILADELPHIA PA	INTERIOR DEPT	3	14714	18611	433	01/01/90	R
				4	16517	20891	486		
				5	17937	22833	544		
				6	19992	25446	606		
				7	22214	28271	673		
				9	25529	32945	824		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
280	GS-0610 NURSE OPER RM	FT GORDON GA	ARMY	9	28001	35417	824	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
281	GS-0610 NURSE	FT BRAGG NC	ARMY	9	27177	34593	824	01/01/90	R
				10	29927	38090	907		
				11	32879	41843	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
282	GS-0312 CLERK STENO	FT MEADE MD	DEFENSE	2	14589	18045	384	01/01/90	R
	GS-0322 CLERK TYPIST			3	15580	19477	433		
	GS-0356 DATA TRANSCRIBE			4	16517	20891	486		
	GS-XXXX (TYPING)			5	17937	22833	544		
	GS-XXXX (STENOGRAPHY)			6	19386	24840	606		
	GS-XXXX (DATA TRANSCRI)								
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [THIS AUTHORIZATION ALSO INCLUDES POSITIONS LOCATED AT THE] [AIR FORCE PLANT REPRESENTATIVE OFFICE, BALTIMORE-WASHINGTON] [INTERNATIONAL AIRPORT.]								
283	GS-0610 NURSE ANESTHETI	FT GORDON GA	ARMY	11	38855	47819	996	01/01/90	R
				12	44183	54929	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
284	GS-0312 CLERK STENO	BERGEN CO NJ	CUSTOMS SERVICE	2	13174	16558	376	01/01/90	R
	GS-0318 SECRETARY	ESSEX CO NJ	INTERNAL REVENUE SVS	3	14847	18663	424		
	GS-0322 CLERK TYPIST	HUDSON CO NJ	SOCIAL SECURITY ADM	4	16195	20488	477		
	GS-0356 DATA TRANSCRIBE	MIDDLESEX CO NJ		5	17050	21847	533		
	GS-XXXX (TYPING)	MORRIS CO NJ							
	GS-XXXX (STENOGRAPHY)	ROCKLAND CO NY							
	GS-XXXX (DATA TRANSCRI)	SOMERSET CO NJ							
		UNION CO NJ							
		PASSAIC CO NJ							
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [THIS AUTHORIZATION COVERS COMPONENTS OF TREASURY AND] [HEALTH AND HUMAN SERVICES NO LONGER COVERED BY TABLE 047.]								
285	GS-1816 IMMIGRA INSPEC	NEW YORK CT NY	JD IMMIG & NAT SVC	5	18481	23377	544	01/01/90	R
				7	22214	28271	673		
				9	26353	33769	824		
				11	30887	39851	996		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
286	GS-0180 PSYCHOLOGIST	TEXARKANA TX	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [FEDERAL CORRECTIONAL INSTITUTION]								
287	GS-0180 PSYCHOLOGIST	LORETTO PA	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [FEDERAL CORRECTIONAL INSTITUTION]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
288	GS-0180 PSYCHOLOGIST	RAYBROOK NY	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [FEDERAL CORRECTIONAL INSTITUTION]								
289	GS-0180 PSYCHOLOGIST	YANKTON SD	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [FEDERAL PRISON CAMP]								
290	GS-0602 MED OFF CLIN	WORLDWIDE	AIR FORCE	11	37400	46193	977	01/01/90	R
			ARMY	12	44830	55378	1172		
			HEALTH & HUMAN SVCS	13	53309	65837	1392		
			JUSTICE DEPT	14	61378	76183	1645		
			NAVY	15	66498	83913	1935		
			NASA						
			US SOLDIERS/AMNS HM						
			STATE DEPT						
			TREASURY DEPT						
			ENERGY DEPT						
			TRANSPORTATION DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [MAXIMUM PAYABLE RATE IS $78200. EXCLUDED ARE PHYSICIANS WHO] [HAVE RECEIVED NATIONAL HEALTH SERVICE CORPS SCHOLARSHIPS AND] [WHO ARE FULFILLING A SERVICE OBLIGATION THROUGH ASSIGNMENT] [TO NHSC OR THE DEPARTMENT OF JUSTICE.]								
291	GS-0180 PSYCHOLOGIST	BORON CA	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [FEDERAL PRISON CAMP]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
292	GS-0180 PSYCHOLOGIST	EL RENO OK	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	41795	52541	1194		
				13	45441	58221	1420		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
293	GS-0180 PSYCHOLOGIST	DANBURY CT	JUSTICE DEPT	11	38855	47819	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
294	GS-0180 PSYCHOLOGIST	NEW YORK CY NY	JUSTICE DEPT	11	38855	47819	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
295	GS-0180 PSYCHOLOGIST	LOS ANGELES CA	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
296	GS-0180 PSYCHOLOGIST	LEAVENWORTH KS	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								
297	GS-0180 PSYCHOLOGIST	TERM ISLAND CA	JUSTICE DEPT	11	36863	45827	996	01/01/90	R
				12	42989	53735	1194		
				13	46861	59641	1420		
	(AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90)								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
298	GS-0180 PSYCHOLOGIST	OTISVILLE NY	JUSTICE DEPT	11	34871	43835	996	01/01/90	R
				12	38213	48959	1194		
				13	44021	56801	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
299	GS-0180 PSYCHOLOGIST	MORGANTOWN WV	JUSTICE DEPT	11	34871	43835	996	01/01/90	R
				12	38213	48959	1194		
				13	44021	56801	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
300	GS-0180 PSYCHOLOGIST	ATLANTA GA	JUSTICE DEPT	11	34871	43835	996	01/01/90	R
				12	38213	48959	1194		
				13	44021	56801	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
301	GS-0180 PSYCHOLOGIST	PHOENIX AZ	JUSTICE DEPT	11	34871	43835	996	01/01/90	R
				12	38213	48959	1194		
				13	44021	56801	1420		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
302	GS-0644 MED TECHNOLOGIST	FT MEADE MD	AIR FORCE	5	21201	26097	544	01/01/90	R
		WASH DC MSA	ARMY	7	26252	32309	673		
			DEFENSE DEPT	8	29081	35795	746		
			NAVY	9	31297	38713	824		
			STATE DEPT	11	36863	45827	996		
			SMITHSONIAN INST	12	40601	51347	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
303	GS-0620 PRACTICAL NURSE	FT MEADE MD	DEFENSE DEPT	4	16517	20891	486	01/01/90	R
		WASH DC MSA	US SOLDIERS/AMNS HM	5	20113	25009	544		
				6	21810	27264	606		
				7	23560	29617	673		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
304	GS-0610 NURSE	WASH DC MSA	AIR FORCE	4	17489	21863	486	01/01/90	R
		FT MEADE MD	AGRICULTURE DEPT	5	21201	26097	544		
			ARMY	7	22887	28944	673		
			COMMERCE DEPT	9	30473	37889	824		
			DEFENSE DEPT	10	32648	40811	907		
			ENERGY DEPT	11	34871	43835	996		
			HEALTH & HUMAN SVCS	12	40601	51347	1194		
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NAVY						
			STATE DEPT						
			TRANSPORTATION DEPT						
			US SOLDIERS/AMNS HM						
			OFFICE PERSONNEL MGT						
			SMITHSONIAN INST						
			ARCHITECT OF CAPITOL						
			LIBRARY OF CONGRESS						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[EXCLUDES GS-12 NURSE ANESTHETIST (SEE TABLE 264)]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
305	GS-0690 IND HYGIENIST	NATIONWIDE	AGRICULTURE DEPT	5	19025	23921	544	01/01/90	R
			AIR FORCE	7	22887	28944	673		
			ARMY	9	[illegible]001	35417	824		
			DEFENSE DEPT	10	29927	38090	907		
			ENERGY DEPT	11	31883	40847	996		
			ENVIRON PROTECT AGCY	12	37019	47705	1194		
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			INTERIOR DEPT						
			NASA						
			NAVY						
			SMITHSONIAN INST						
			TREASURY DEPT						
			TRANSPORTATION DEPT						
			VETERANS ADMIN						
			LABOR DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90.] [TABLES 031 AND 069 WERE SUPERSEDED BY THIS TABLE.]								
306	GS-0620 PRACTICAL NURSE	TACOMA WA	ARMY	4	17003	21377	486	01/01/90	N
				5	18481	23377	544		
				6	19992	25446	606		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
307	GS-0025 PARK RANGER	CNTRA CST CO CA	INTERIOR DEPT	3	14714	18611	433	01/01/90	N
		MARIN CO CA		4	16517	20891	486		
		SAN FRAN CO CA		5	17937	22833	544		
		SAN MATEO CO CA		6	19992	25446	606		
				7	22214	28271	673		
				8	23050	30573	746		
				9	25529	32945	824		
308	GS-0651 RESPIRATRY THER	TACOMA WA	ARMY MADIGAN MEDCENT	7	21541	27598	673	01/01/90	N
	GS-1712 TRAINING INSTRN			8	23113	29827	746		

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
309	GS-0081 FIREFIGHTER	MIDDLESEX CO MA	AIR FORCE	4	16517	20891	486	01/01/90	N
		WORCESTER CO MA	ARMY	5	18481	23377	544		
		NORFOLK CO MA	NAVY	6	20598	26052	606		
		HAMPDEN CO MA		7	22887	28944	673		
		BARNSTABL CO MA		8	25351	32065	746		
		ESSEX CO MA		9	28001	35417	824		
		PLYMOUTH CO MA		10	30834	38997	907		
		SUFFOLK CO MA		11	33875	42839	996		
		BRISTOL CO MA							
310	GS-0303 MISC CLK & ASST	BRISTOL CO MA	COMMERCE DEPT	3	15580	19477	433	01/01/90	N
		BRISTOL CO RI		4	16517	20891	486		
		HILLSBORO CO NH		5	17393	22289	544		
		HAMPDEN CO MA		6	19386	24840	606		
		HAMPSHIRE CO MA		7	20868	26925	673		
		KENT CO RI							
		MERRIMACK CO NH							
		NEWPORT CO RI							
		PROVIDENC CO RI							
		ROCKINGHM CO NH							
		STRAFFORD CO NH							
		WASHINGTN CO RI							
	[(FIELD REPRESENTATIVE, SUPERVISORY FIELD REPRESENTATIVE)]								
311	GS-0303 MISC CLK & ASST	LOS ANGLS CO CA	COMMERCE DEPT	3	16013	19910	433	01/01/90	N
				4	17003	21377	486		
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[(FIELD REP/SUPERVISORY FIELD REP/INTERVIEWER SPECIALIST]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
312	GS-0303 MISC CLK & ASST	WASH DC USA	COMMERCE DEPT	3	15147	19044	433	01/01/90	N
				4	16517	20891	486		
				5	17937	22833	544		
				6	19386	24840	606		
				7	20868	26925	673		
	[(FIELD REPRESENTATIVE, SUPERVISORY FIELD REPRESENTATIVE)]								
313	GS-0631 OCCUP THERAPIST	FT MEADE MD WASH DC USA	ARMY NAVY US SOLDIERS/ARMS HO	9	28001	35417	824	01/01/90	N
				10	29927	38090	907		
				11	32879	41843	996		
314	GS-0610 NURSE	WHITE SANDS NM HOLLOMAN AFB NM	ARMY AIR FORCE	5	21201	26097	544	01/01/90	N
				7	24233	30290	673		
				9	28825	36241	824		
				10	31741	39904	907		
				11	34871	43835	996		
315	GS-1224 PATENT EXM(OTHR	WASH DC USA	COMMERCE DEPT	11	31883	40847	996	01/01/90	N
	[PATENT EXAMINERS IN THESE SPECIALIZATIONS: CHEMISTRY,] [PHYSICS, BIOLOGY, MICROBIOLOGY, BOTANY, PHARMACOLOGY,] [HORTICULTURE, ELECTRONICS]								
316	GS-0603 PHYSICIAN ASST	NATIONWIDE	JUSTICE DEPT ARMY AIR FORCE NAVY US SOLDIERS/ARMS HO TRANSPORTATION DEPT	7	24906	30963	673	01/01/90	N
				9	29649	37065	824		
				11	35867	44831	996		

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
317	GS-0660 PHARMACIST	BILOXI MS GULFPORT MS	AIR FORCE NAVY	11	32879	41843	996	01/04/90	N
318	GS-0180 PSYCHOLOGIST	LACKLAND AFB TX	AIR FORCE	11	36863	45827	996	01/09/90	N
				12	42989	53735	1194		
				13	46861	59641	1420		
319	GS-0660 PHARMACIST	DUGWAY-TOOELE U	ARMY	11	37859	46823	996	01/11/90	N
328	GS-0682 DENTAL HYGIENST	CALIFORNIA	AIR FORCE	4	18578	22871	477	01/01/90	N
			ARMY	5	20780	25577	533		
			NAVY	6	23166	28521	595		
				7	25739	31679	660		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
352	GS-0610 NURSE	SF/OAK CA PMSA	ARMY	5	20780	25577	533	01/01/90	N
			NAVY	7	25739	31679	660		
			HEALTH & HUMAN SVCS	9	31490	38762	808		
			JUSTICE DEPT	10	33782	41783	889		
			TRANSPORTATION DEPT	11	36144	44937	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [COUNTIES COVERED ARE SAN FRANCISCO, SAN MATEO, MARIN,] [ALAMEDA AND CONTRA COSTA.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
360	GS-0648 THER RAD TEC	WASH DC MSA	ARMY NAVY	4	17420	21713	477	01/01/90	N
				5	19488	24150	518		
				6	21731	26924	577		
				7	22906	28666	640		
				8	24720	31299	731		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
363	GS-0647 DIAG RAD TEC	SF/OAK CA PMSA	ARMY NAVY	4	18578	22871	477	01/01/90	N
				5	20780	25577	533		
				6	23166	28521	595		
				7	24419	30359	660		
				8	25585	32164	731		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [COUNTIES COVERED ARE SAN FRANCISCO, SAN MATEO MARIN,] [ALAMEDA AND CONTRA COSTA.]								
388	GS-0661 PHARM TECH	SAN FRAN CMSA	ARMY	3	16543	20359	424	01/01/90	N
				4	18578	22871	477		
				5	20780	25577	533		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
394	GS-0620 VOCATION NURSE	SF/OAK CA PMSA	ARMY NAVY	4	18578	22871	477	01/01/90	N
				5	20780	25577	533		
				6	21977	27332	595		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [COUNTIES COVERED ARE SAN FRANCISCO, SAN MATEO, MARIN,] [ALAMEDA AND CONTRA COSTA.]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN-GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
414	GS-0801 ENG GENERAL	WORLDWIDE	AGRICULTURE DEPT	5	21201	26097	544	01/01/90	R
	GS-0803 ENG SAFETY		AIR FORCE	7	26252	32309	673		
	GS-0804 ENG FIRE PREVEN		ARMY	9	31490	38762	808		
	GS-0806 ENG MATERIALS		CONSUM PROD SFTY COM	11	33846	42639	977		
	GS-0807 LANDSCAPE ARCHT		ENERGY DEPT	12	36645	47193	1172		
	GS-0808 ARCHITECT		ENVIRON PROTECT AGCY						
	GS-0810 ENG CIVIL		FED EMERG MGMT AGCY						
	GS-0819 ENG ENVIRONMENL		FED ENERGY REG COMM						
	GS-0830 ENG MECHANICAL		GEN SERVICES ADM						
	GS-0858 ENG BIOMEDICAL		HEALTH & HUMAN SVCS						
	GS-0861 ENG AEROSPACE		INTERIOR DEPT						
	GS-0871 NAVAL ARCHITECT		JUSTICE DEPT						
	GS-0890 ENG AGRICULTURE		LABOR DEPT						
	GS-0892 ENG CERAMICS		NASA						
	GS-0893 ENG CHEMICAL		NAT TRANSP SAFETY BD						
	GS-0894 ENG WELDING		NAVY						
	GS-0896 ENG INDUSTRIAL		TRANSPORTATION DEPT						
			TREASURY DEPT						
			VETERANS ADMIN						
			VOICE OF AMERICA						
			DEFENSE DEPT						
			EXPORT-IMPORT BANK						
			HOUSING & URBAN DEV						
			SMITHSONIAN INST						
			COMMERCE DEPT						
			SMALL BUSINESS ADM						
			U.S. COURTS						
			ARCHITECT OF CAPITOL						
			STATE DEPT						
			US SOLDIERS/AIRMENS						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
415	GS-0881 PETROLEUM ENGR	NATIONWIDE	ARMY	5	20780	25577	533	01/01/90	R
			ENERGY DEPT	7	25730	31670	660		
			ENVIRON PROTECT AGCY	9	30571	37627	784		
			FED ENERGY REG COMM	11	33044	40667	847		
			JUSTICE DEPT	12	37573	46717	1016		
			NAT TRANSP SAFETY BD						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			DEFENSE DEPT						
			INTERIOR DEPT						
			EXPORT-IMPORT BANK						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
417	GS-0880 MINING ENGR	NATIONWIDE	AGRICULTURE DEPT	5	18017	22175	462	01/01/90	R
			ARMY	7	22326	27483	573		
			ENERGY DEPT	9	27305	33605	700		
			FED ENERGY REG COMM	11	31349	38972	847		
			INTERIOR DEPT						
			LABOR DEPT						
			TREASURY DEPT						
			DEFENSE DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS:				1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES					
422	GS-0840 ENG NUCLEAR	WORLDWIDE	AGRICULTURE DEPT	5	21201	26097	544	01/01/90	R
	GS-0850 ENG ELECTRICAL		AIR FORCE	7	26252	32309	673		
	GS-0854 ENG COMPUTER		ARMY	9	31490	38762	808		
	GS-0855 ENG ELECTRONICS		CONSUM PROD SFTY COM	11	34363	43156	977		
			ENERGY DEPT	12	38637	49590	1217		
			ENVIRON PROTECT AGCY						
			FED EMERG MGMT AGCY						
			GEN SERVICES ADM						
			HEALTH & HUMAN SVCS						
			INTERIOR DEPT						
			JUSTICE DEPT						
			LABOR DEPT						
			NASA						
			NAT TRANSP SAFETY BD						
			NAVY						
			SMITHSONIAN INST						
			TRANSPORTATION DEPT						
			TREASURY DEPT						
			US SOLDIERS/AIRMENS						
			VETERANS ADMIN						
			DEFENSE DEPT						
			COMMERCE DEPT						
			ARCHITECT OF CAPITOL						
			STATE DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
457	GS-0660 PHARMACIST	SAN FRAN CA	ARMY	9	32121	39537	824	01/01/90	R
		OAKLAND CA	NAVY	11	38855	47819	996		
		ALAMEDA CA		12	44183	54929	1194		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
467	GS-0621 NURSING ASST	ALASKA	HEALTH & HUMAN SVCS	2	12848	16016	352	01/01/90	R
				3	14486	18068	398		
				4	15634	19495	429		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
468	GS-0622 MED SUPPLY AID	ALASKA	AK NATIVE HEALTH SVC	1	11093	13513	VARIES**	01/01/90	R
				2	12327	15431	VARIES**		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
	** [STEP2=11409 STEP3=11754 STEP4=11957 STEP5=12298 STEP6=12641 STEP7=12656 STEP8=12980 STEP9=13314] STEP2=12655 STEP3=12797 STEP4=13173 STEP5=13549 STEP6=13925 STEP7=14410 STEP8=14678 STEP9=15054]								
471	GS-0647 DIAG RAD TEC	ALASKA	HEALTH & HUMAN SVCS	4	18825	23118	477	01/01/90	R
				5	20502	25299	533		
				6	21620	26975	595		
				7	22650	28590	660		
				8	23566	30145	731		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
473	GS-0681 DENTAL ASST	ALASKA	AK NATIVE HEALTH SVC	2	11968	15262	366	01/01/90	R
				3	14829	18537	412		
				4	16184	20351	463		
				5	17072	21734	518		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
493	GS-0644 MED TECH	ALASKA	HEALTH & HUMAN SVCS	5	21058	25855	533	01/01/90	R
				7	24023	29963	660		
				9	25672	32944	808		
				11	31087	39880	977		
				12	37161	47709	1172		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
494	GS-0644 MED TECHNOLOGIST	NAVAJ/PHOEN IHA TUCSON IHA	INDIAN HEALTH SVC	5	20344	25141	533	01/01/90	R
				7	22679	28819	660		
				9	26355	33627	808		
				10	28863	36864	889		
				11	31084	40487	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
499	GS-0602 MED OFF OTHER	WORLDWIDE	ARMY	12	39783	48927	1016	01/01/90	R
			AIR FORCE	13	50118	62646	1392		
			HEALTH & HUMAN SVCS	14	55935	70740	1645		
			NASA	15	61924	79339	1935		
			NAVY						
			OFFICE PERSONNEL MGT						
			TRANSPORTATION DEPT						
			VETERANS ADMIN						
			US AGENCY INTL DEV						
			LABOR DEPT						
			ENERGY DEPT						
			AGRICULTURE DEPT						
			CONSUM PROD SFTY COM						
			FED EMERG MGMT AGCY						
			SMITHSONIAN INST						
			INTERIOR DEPT						
			NAT TRANSP SAFETY BD						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[MAXIMUM PAYABLE RATE IS $78200. EXCLUDED ARE PHYSICIANS WHO]
[HAVE RECEIVED NATIONAL HEALTH SERVICE CORPS SCHOLARSHIPS AND]
[WHO ARE FULFILLING A SERVICE OBLIGATION THROUGH ASSIGNMENT]
[TO HHSC OR THE DEPARTMENT OF JUSTICE.]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
501	GS-0610 NURSE	AURORA CO	ARMY	5	21201	26097	544	01/01/90	R
				7	24906	30963	673		
				9	26353	33769	824		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[NURSE ANESTHETIST IS EXCLUDED FROM THIS AUTHORIZATION (SEE]
[TABLE NUMBER 131).]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
509	GS-0699 DIAG MED SONOGR	FT ORD CA	ARMY	5	21201	26097	544	01/01/90	R
				6	23628	29082	606		
				7	26252	32309	673		
				8	29081	35795	746		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
524	GS-0602 MED OFF RESERCH	WORLDWIDE	AIR FORCE	11	35518	44311	977	01/01/90	R
			AGRICULTURE DEPT	12	42568	53116	1172		
			HEALTH & HUMAN SVCS	13	51942	64470	1392		
			INTERIOR DEPT	14	58149	72954	1645		
			NASA	15	62698	80113	1935		
			NAVY						
			TRANSPORTATION DEPT						
			US AGENCY INTL DEV						
			ENVIRON PROTECT AGCY						
			NAT TRANSP SAFETY BD						
			ARMY						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[MAXIMUM PAYABLE RATE IS $78200. EXCLUDED ARE PHYSICIANS WHO]
[HAVE RECEIVED NATIONAL HEALTH SERVICE CORPS SCHOLARSHIPS AND]
[WHO ARE FULFILLING A SERVICE OBLIGATION THROUGH ASSIGNMENT]
[TO NHSC OR THE DEPARTMENT OF JUSTICE.]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
525	GS-0660 PHARMACIST	LA/SAN BERN CA	NAVY	9	28859	36131	808	01/01/90	R
			AIR FORCE	11	31144	39937	977		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
531	GS-0610 NURSE	NATIONWIDE	INDIAN HEALTH SVC	4	18947	23321	486	01/01/90	R
				5	21201	26097	544		
				7	25579	31636	673		
				9	30473	37889	824		
				10	31741	39904	907		
				11	33875	42839	996		
				12	38213	48959	1194		
536	GS-0620 PRACTICAL NURSE	ALASKA	AK NATIVE HEALTH SVC	3	15773	19733	440	01/01/90	R
				4	17226	21690	496		
				5	18201	23187	554		
				6	19098	24660	618		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
537	GS-0649 HRT/LNG TECH	BILOXI MS	AIR FORCE	9	31490	38762	808	01/01/90	R
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
576	GS-1224 PATENT EXM(ENG)	WASH DC MSA	COMMERCE DEPT	5	21201	26097	544	01/01/90	R
				7	26252	32309	673		
				9	28825	36241	824		
				11	31883	40847	996		
	[AUTHORIZATION INCREASED BY MORE THAN 3.6 PERCENT.] [GS-11 ALSO ADDED TO AUTHORIZATION.]								
589	GS-1321 METALLURGIST	NATIONWIDE	AIR FORCE	5	19805	24377	508	01/01/90	R
			ARMY	7	24532	30193	629		
			INTERIOR DEPT	9	27705	34635	770		
			NAT TRANSP SAFETY BD	11	30725	39266	949		
			NAVY						
			SMITHSONIAN INST						
			COMMERCE DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
590	GS-1311 PHYS SCI TECH	MARE ISLAND CA	NAVY	5	20780	25577	533	01/01/90	R
				6	23166	28521	595		
				7	25739	31679	660		
				8	28510	35089	731		
				9	31490	38762	808		
				10	32845	40846	889		
				11	33212	42005	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
591	GS-1311 PHYS SCI TECH	PEARL HARBOR HI	NAVY	4	17148	21441	477	01/01/90	R
				5	18649	23446	533		
				6	20195	25550	595		
				7	22439	28379	660		
				8	26315	32894	731		
				9	29067	36339	808		
				10	29992	37993	889		
				11	30281	39074	977		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
592	GS-1311 PHYS SCI TECH	PORTSMOUTH NH	NAVY	4	18578	22871	477	01/01/90	R
				5	20780	25577	533		
				6	21977	27332	595		
				7	23759	29699	660		
				8	25585	32164	731		
				9	27452	34724	808		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90] [AUTHORIZATION LIMITED TO RADIATION MONITORING AND CONTROL] [POSITIONS ONLY.]								
593	GS-1310 PHYSICIST OPTCS GS-0800 ENGR (OPTICS)	KIRTLAND AFB NM	AIR FORCE	9	31490	38762	808	01/01/90	R
				11	36144	44937	977		
				12	39807	50355	1172		
				13	44551	57079	1392		
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								
607	GS-1550 COMP SCIENTIST	WASH DC MSA	COMMERCE DEPT	5	21201	28097	544	01/01/90	R
		DAHLGREN VA	DEFENSE DEPT	7	26252	32309	673		
		ANNAPOLIS MD	HEALTH & HUMAN SVCS	9	28272	35544	808		
		PATUXENT RIV MD	NASA						
			TREASURY DEPT						
			JUSTICE DEPT						
	[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]								

CURRENT TITLE 5 SPECIAL RATE AUTHORIZATIONS
FOR GENERAL SCHEDULE EMPLOYEES

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
598	GS-1550 COMP SCIENTIST	NEWPORT RI	NAVY	5	20780	25577	533	01/01/90	R
		NEW LONDON CT		7	25739	31679	660		
				9	29738	37073	815		
				11	32547	41412	985		
				12	38124	48555	1159		

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
903	GS-0986 LEGAL CLK/TECHN	LOS ANGELES CA	COMMOD FUT TRD COMMI	5	20006	24803	533	01/01/90	R
		TERM ISLAND CA	DJ US TRUST EXEC OFF	6	21383	26738	595		
			EQ EMPL OPP COMMISSI	7	22439	28379	660		
			SEC & EXCHANGE COMM						
			TREASURY DEPT						
			DJ US ATTY						
			D LABOR SOLICITOR						
			JUSTICE DEPT						
			NAT TRANSP SAFETY BD						
			FED TRADE COMM						
			FOOD AND DRUG ADMIN						
			VETERANS ADMIN						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]

TABLE NUMBER	AUTHORIZATION COVERS: OCCUPATIONS	LOCATIONS	AGENCIES/ORGANIZATIONS	GRADES	1ST STEP RATE	10TH STEP RATE	WITHIN GRADE INCREASE	EFFECTIV DATE	REVIEWED OR NOT
904	GS-0986 LEGAL CLK/TECHN	NEW YORK CT NY	COMMOD FUT TRD COMMI	4	17489	21863	486	01/01/90	R
			EQ EMPL OPP COMMISSI	5	19025	23921	544		
			JUSTICE DEPT	6	20598	26052	606		
			LABOR DEPT	7	22214	28271	673		
			SEC & EXCHANGE COMM	8	24605	31319	746		
			TREASURY DEPT	9	26353	33769	824		
			MERIT SYST PROT BD	10	28113	36276	907		
			ARMY						
			VETERANS ADMIN						
			HOUSING & URBAN DEV						
			FED TRADE COMM						

[AUTHORIZATION INCREASED AS THE GEN SCHED INCR, EFF 01/01/90]
[DEPARTMENT OF JUSTICE COVERAGE INCLUDES THE US ATTORNEY'S]
[OFFICE, SOUTHERN AND EASTERN DISTRICT OF NY, THE EXECUTIVE]
[OFFICE FOR US TRUSTEES AND THE BUREAU OF PRISONS (NCC).]

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0007	CORRECT OFFICER	126	NEW YORK CT NY				
		127	OTISVILLE NY				
		128	LOMPOC CA				
		129	DANBURY CT				
		130	LOS ANGELES CA	TERM ISLAND CA			
		242	CHICAGO IL				
		243	SAN DIEGO CA				
		244	MIAMI FL				
		245	PLEASANTON CA				
		246	RAY BROOK NY				
		247	MILAN MI				
0018	SAF OCC HLTH AD	251	NATIONWIDE				
0025	PARK RANGER	241	ESSEX CO NJ	MONMOUTH CO NJ	MORRIS CO NJ	NASSAU CO NY	NEW YORK CT NY
			SUFFOLK CO NY				
		257	BOSTON MA	BROOKLINE MA	CAMBRIDGE MA	ESSEX CO MA	MIDDLESEX CO MA
			NORFOLK CO MA	SUFFOLK CO MA			
		279	PHILADELPHIA PA				
		307	CNTRA CST CO CA	MARIN CO CA	SAN FRAN CO CA	SAN MATEO CO CA	
0029	ENV PROTECT ASS	023	EASTERN MA				
		037	CONNECTICUT				
0072	FINGERPRINT ID	023	EASTERN MA				
		037	CONNECTICUT				
		116	WASH DC MSA				
		159	JUNEAU AK				
0080	SECURITY ADM	109	PORT NR/NN MSA				
0081	FIREFIGHTER	011	CLEAR AFB AK				
		309	BARNSTABL CO MA	BRISTOL CO MA	ESSEX CO MA	HAMPDEN CO MA	MIDDLESEX CO MA
			NORFOLK CO MA	PLYMOUTH CO MA	SUFFOLK CO MA	WORCESTER CO MA	
0082	DEP US MARSHAL	059	WASHINGTON DC				
		060	NEW YORK CT NY				
		061	LOS ANGELES CA				
		062	MIAMI FL				
		104	ALEXANDRIA VA				
0083	PARK POLICE	106	NATIONWIDE				
	POLICE OFFICER	002	FT ORD CA	PRESIDIO CA			
		006	PORTSMTH SYD NH				
		022	CHINA LAKE CA				
		026	BOULDER CITY NV				
		043	CAPE COD MA				
		050	FT MONMOUTH NJ	LAKEHURST NJ	NORTHERN NJ		
		051	BAYONNE NJ				
		055	LONG BEACH CA				
		065	WASH DC MSA				
		108	MARE ISLAND CA	VALLEJO CA			
		146	DAHLGREN VA	PATUXENT RIV MD			

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0083	POLICE OFFICER	149	ANNAPOLIS MD				
		169	INDN SPGS AFAF				
		174	MNTGOMERY CO PA	PHILADELPHIA PA			
		175	SAN FRAN CA				
		176	WEST POINT NY				
		181	BOSTON MA				
		182	NEW YORK MSA NY				
		183	CHICAGO IL				
		185	GROTON CT				
		219	LAPEER CO MI	LIVINGSTON CO M	MACOMB CO MI	MONROE CO MI	OAKLAND CO MI
			ST CLAIR CO MI	WAYNE CO MI			
		231	ANAHEIM CA	LOS ANGLS CO CA	SANTA ANA CA		
		232	CLEVELAND OH				
0085	SEC SVC UNIFORM GUARD	106	NATIONWIDE				
		086	WARMINSTER PA				
		107	ALAMEDA CA	MARE ISLAND CA	OAKLAND CA	VALLEJO CA	
		121	SPRINGFIELD MA	WESTOVER AFB MA			
		170	ANNE ARUNDEL CO	BALTIMORE CO MD	BALTIMORE MD		
		171	PICATINNY AR NJ				
		174	MNTGOMERY CO PA	PHILADELPHIA PA			
		186	GROTON CT				
		191	DAHLGREN VA	VINT HL FARM VA	WASH DC MSA		
		205	PORTSMTH SYD NH				
		216	CUMBERLAND CO PA	YORK CO PA			
		228	NATICK MA	WATERTOWN MA			
		254	CHICAGO IL				
0086	SECURITY CK/AST	023	EASTERN MA				
		037	CONNECTICUT				
0134	INTELL AID/CLK	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
		255	MONMOUTH CO NJ				
0180	PSYCHOLOGIST	286	TEXARKANA TX				
		287	LORETTO PA				
		288	RAYBROOK NY				
		289	YANKTON SD				
		291	BORON CA				
		292	EL RENO OK				
		293	DANBURY CT				
		294	NEW YORK CT NY				
		295	LOS ANGELES CA				
		296	LEAVENWORTH KS				
		297	TERM ISLAND CA				
		298	OTISVILLE NY				
		299	MORGANTOWN WV				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0180	PSYCHOLOGIST	300	ATLANTA GA				
		301	PHOENIX AZ				
		318	LACKLAND AFB TX				
0189	LIFEGUARD	111	NEW YORK CT NY	SANDY HOOK NJ			
0203	PERS CLK & ASST	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		168	BETHEL AK				
		255	MONMOUTH CO NJ				
0204	MIL PER CLK/TCH	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		255	MONMOUTH CO NJ				
0301	AIR COMMANDER	251	NATIONWIDE				
0302	MESSENGER	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
0303	MISC CLK & ASST	023	EASTERN MA				
		033	NASHUA NH				
		034	PITTSFIELD MA	SCHENECTADY NY	WEST MILTON NY		
		035	BATH ME				
		036	LONG ISLAND NY				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		141	NEW YORK CT NY	NORTHERN NJ	WESTCHESTER NY		
		159	JUNEAU AK				
		167	BARROW AK				
		168	BETHEL AK				
		310	BRISTOL CO MA	BRISTOL CO RI	HAMPDEN CO MA	HAMPSHIRE CO MA	HILLSBORO CO NH
			KENT CO RI	MERRIMACK CO NH	NEWPORT CO RI	PROVIDENC CO RI	ROCKINGHM CO NH
			STRAFFORD CO NH	WASHINGTN CO RI			
		311	LOS ANGLS CO CA				
		312	WASH DC MSA				
0304	INF RECEPTIONST	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
0305	MAIL & FILE CLK	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		255	MONMOUTH CO NJ				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0309	CORRESP CLERK	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
0312	CLERK STENO	012	NEW YORK CT NY				
		023	EASTERN MA				
		024	GTR SF BAY CA				
		029	DAHLGREN VA	VINT HL FARM VA	WASH DC MSA		
		033	NASHUA NH				
		034	PITTSFIELD MA	SCHENECTADY NY	WEST MILTON NY		
		036	LONG ISLAND NY				
		037	CONNECTICUT				
		047	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
		057	DALS/FT WRTH TX				
		070	LOS ANGLS CO CA				
		071	ORANGE CO CA				
		109	PORT NH/ME MSA				
		113	MIAMI FL				
		119	CHICAGO IL				
		125	MINN/ST PAUL MN				
		132	PLUM ISLAND NY				
		154	MERCER CO NJ				
		159	JUNEAU AK				
		187	W'CHESTER CO NY				
		190	NEW YORK CT NY	WHITE PLAINS NY			
		255	MONMOUTH CO NJ				
		282	FT MEADE MD				
		284	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
0313	WK UNIT SUPERV	159	JUNEAU AK				
0318	SECRETARY	010	S SF BAY CA				
		023	EASTERN MA				
		024	GTR SF BAY CA				
		033	NASHUA NH				
		034	PITTSFIELD MA	SCHENECTADY NY	WEST MILTON NY		
		036	LONG ISLAND NY				
		037	CONNECTICUT				
		047	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
		057	DALS/FT WRTH TX				
		070	LOS ANGLS CO CA				
		071	ORANGE CO CA				
		109	PORT NH/ME MSA				
		113	MIAMI FL				
		119	CHICAGO IL				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0318	SECRETARY	125	MINN/ST PAUL MN				
		132	PLUM ISLAND NY				
		154	MERCER CO NJ				
		159	JUNEAU AK				
		167	BARROW AK				
		168	BETHEL AK				
		255	MONMOUTH CO NJ				
		284	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
0319	CLOSED MICR RPT	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
0322	CLERK TYPIST	010	S SF BAY CA				
		012	NEW YORK CT NY				
		023	EASTERN MA				
		024	GTR SF BAY CA				
		029	DAHLGREN VA	VINT HL FARM VA	WASH DC MSA		
		033	NASHUA NH				
		034	PITTSFIELD MA	SCHENECTADY NY	WEST MILTON NY		
		035	BATH ME				
		036	LONG ISLAND NY				
		037	CONNECTICUT				
		047	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
		057	DALS/FT WRTH TX				
		070	LOS ANGLS CO CA				
		071	ORANGE CO CA				
		109	PORT NH/ME MSA				
		113	MIAMI FL				
		117	MARTINEZ CA				
		119	CHICAGO IL				
		125	MINN/ST PAUL MN				
		132	PLUM ISLAND NY				
		154	MERCER CO NJ				
		159	JUNEAU AK				
		163	SEATTLE WA				
		167	BARROW AK				
		168	BETHEL AK				
		170	PORTLAND OR	VANCOUVER WA			
		187	W'CHESTER CO NY				
		255	MONMOUTH CO NJ				
		282	FT MEADE MD				
		284	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
0332	COMPUTER OPER	017	DALS/FT WRTH TX				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)
0332	COMPUTER OPER	023	EASTERN MA
		037	CONNECTICUT
		109	PORT NH/ME MSA
		159	JUNEAU AK
0334	COMPUTER SPEC	052	CHICAGO IL
		063	ATLANTIC CY NJ
0335	COMPUTER CLERK	023	EASTERN MA
		036	LONG ISLAND NY
		037	CONNECTICUT
		109	PORT NH/ME MSA
		159	JUNEAU AK
0340	PROG MGMT SPEC	251	NATIONWIDE
0344	MGMT CLK & ASST	023	EASTERN MA
		036	LONG ISLAND NY
		037	CONNECTICUT
		109	PORT NH/ME MSA
		159	JUNEAU AK
		255	MONMOUTH CO NJ
0350	EQUIPMENT OPER	023	EASTERN MA
		037	CONNECTICUT
		109	PORT NH/ME MSA
		159	JUNEAU AK
0351	PRINTING CLK	023	EASTERN MA
		037	CONNECTICUT
		159	JUNEAU AK
0354	BKP MACH OPER	159	JUNEAU AK
0355	CALC MACH OPER	159	JUNEAU AK
0356	DATA TRANSCRIBR	010	S SF BAY CA
		012	NEW YORK CY NY
		023	EASTERN MA
		024	GTR SF BAY CA
		029	DAHLGREN VA VINT HL FARM VA WASH DC MSA
		037	CONNECTICUT
		047	BERGEN CO NJ ESSEX CO NJ HUDSON CO NJ MIDDLESEX CO NJ MORRIS CO NJ PASSAIC CO NJ ROCKLAND CO NY SOMERSET CO NJ UNION CO NJ
		053	HOLTSVILLE NY
		070	LOS ANGLS CO CA
		071	ORANGE CO CA
		072	ATLANTA GA
		109	PORT NH/ME MSA
		113	MIAMI FL
		116	CHICAGO IL
		125	MINN/ST PAUL MN
		154	MERCER CO NJ
		159	JUNEAU AK

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0356	DATA TRANSCRIBR	197	W'CHESTER CO NY				
		282	FT MEADE MD				
		284	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
0357	CODER	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
0359	EL ACCT MACH OP	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
0361	EQUAL OPP ASST	109	PORT NH/ME MSA				
		159	JUNEAU AK				
		255	MONMOUTH CO NJ				
0382	TELEPHONE OPER	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		168	BETHEL AK				
0385	TELETYPIST	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
0388	CRYPT EQUIP OPR	023	EASTERN MA				
		037	CONNECTICUT				
0390	COMM RELAY OPRT	023	EASTERN MA				
		037	CONNECTICUT				
0392	DATA COM EQP OP	023	EASTERN MA				
		036	LONG ISLAND NY				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
0394	COMMUNIC CLK	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		255	MONMOUTH CO NJ				
0457	SOIL CONSERVAT	222	BERGEN CO NJ	CONNECTICUT	ESSEX CO NJ	HILLSBORO CO NH	HUDSON CO NJ
			HUNTERDON CO NJ	MASSACHUSSETTS	MERCER CO NJ	MIDDLESEX CO NJ	MNTGOMERY CO MD
			MONMOUTH CO NJ	MORRIS CO NJ	NASSAU CO NY	PASSAIC CO NJ	RHODE ISLAND RI
			ROCKINGHM CO NH	ROCKLAND CO NY	SOMERSET CO NJ	STRAFFORD CO NH	SUFFOLK CO NY
			SUSSEX CO NJ	UNION CO NJ	WARREN CO NJ	WESTCHESTER NY	
0462	FORESTRY TECH	256	LOS ANGLS CO CA				
0470	SOIL SCIENTIST	222	BERGEN CO NJ	CONNECTICUT	ESSEX CO NJ	HILLSBORO CO NH	HUDSON CO NJ
			HUNTERDON CO NJ	MASSACHUSSETTS	MERCER CO NJ	MIDDLESEX CO NJ	MNTGOMERY CO MD
			MONMOUTH CO NJ	MORRIS CO NJ	NASSAU CO NY	PASSAIC CO NJ	RHODE ISLAND RI
			ROCKINGHM CO NH	ROCKLAND CO NY	SOMERSET CO NJ	STRAFFORD CO NH	SUFFOLK CO NY
			SUSSEX CO NJ	UNION CO NJ	WARREN CO NJ	WESTCHESTER NY	

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)		
0503	FINANCL CLK AST	023	EASTERN MA		
		037	CONNECTICUT		
		109	PORT NH/ME MSA		
		159	JUNEAU AK		
		255	MONMOUTH CO NJ		
0510	ACCOUNTANT	157	EASTERN MA		
		158	CONNECTICUT		
		160	LONG ISLAND NY	NEW YORK CT NY	
		161	NORTHERN NJ		
		162	CHESTER CO PA	MNTGOMERY CO PA	PHILADELPHIA PA
		164	WASH DC MSA		
		165	SF/OAK CA PMSA	SN JOSE CA CMSA	SOLANO CO CA
		166	LOS ANGLS CO CA	ORANGE CO CA	
		283	COOK COUNTY IL	DUPAGE CO IL	LAKE COUNTY IL
0511	AUDITOR	157	EASTERN MA		
		158	CONNECTICUT		
		160	LONG ISLAND NY	NEW YORK CT NY	
		161	NORTHERN NJ		
		162	CHESTER CO PA	MNTGOMERY CO PA	PHILADELPHIA PA
		164	WASH DC MSA		
		165	SF/OAK CA PMSA	SN JOSE CA CMSA	SOLANO CO CA
		166	LOS ANGLS CO CA	ORANGE CO CA	
		263	COOK COUNTY IL	DUPAGE CO IL	LAKE COUNTY IL
0512	INTERNAL REV AG	110	NEW YORK CT NY		
0525	ACCOUNTING TECH	023	EASTERN MA		
		037	CONNECTICUT		
		109	PORT NH/ME MSA		
		159	JUNEAU AK		
		168	BETHEL AK		
		255	MONMOUTH CO NJ		
0530	CASH PROCESSING	023	EASTERN MA		
		037	CONNECTICUT		
		109	PORT NH/ME MSA		
		159	JUNEAU AK		
0540	VOUCHER EXAMNR	023	EASTERN MA		
		037	CONNECTICUT		
		109	PORT NH/ME MSA		
		159	JUNEAU AK		
		168	BETHEL AK		
		255	MONMOUTH CO NJ		
0544	PAYROLL	023	EASTERN MA		
		037	CONNECTICUT		
		109	PORT NH/ME MSA		
		159	JUNEAU AK		
		255	MONMOUTH CO NJ		

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0545	MILITARY PAY	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
0561	BUDGET CLK/ASST	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		255	MONMOUTH CO NJ				
0590	TIME & LEAVE	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
0592	TAX EXAMINER	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
0593	INSURANCE ACCT	023	EASTERN MA				
		037	CONNECTICUT				
0601	CYTOGENETICS TK	208	SAN DIEGO CA				
	CYTOLOGIST	240	HONOLULU HI				
	CYTOTECHNOLOGY	252	WASH DC MSA				
		276	PORTSMOUTH VA				
		278	SCOTT AFB IL				
0602	MED OFF CLIN	290	WORLDWIDE				
	MED OFF OTHER	409	WORLDWIDE				
	MED OFF RESRCH	524	WORLDWIDE				
0603	PHYSICIAN ASST	316	NATIONWIDE				
0610	NURSE	013	ROCHESTER MN				
		114	BELLE MEAD NJ	EARLE NJ	FT MONMOUTH NJ	LAKEHURST NJ	
		118	ATLANTA GA				
		120	FT ORD CA				
		122	CMP PENDLTON CA				
		124	SPRINGFIELD MO				
		143	FT DIX NJ	MCGUIRE AFB NJ			
		144	SAN DIEGO CA				
		145	WEST POINT NY				
		153	SAN ANTONIO TX				
		173	ALBUQUERQUE NM				
		184	FAIRFIELD CA	VALLEJO CA			
		188	FT KNOX KY				
		204	FT BLISS TX				
		214	BEDFORD MA	BOSTON MA	FT DEVENS MA	NATICK MA	WATERTOWN MA
		215	TACOMA WA				
		227	CAMP LEJEUNE NC	CHERRY POINT NC			
		230	HONOLULU HI				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0610	NURSE	235	CHARLESTON SC				
		238	HAMPTON VA	NEWPORT NEWS VA	NORFOLK VA	PORTSMOUTH VA	VA BEACH VA
			YORKTOWN VA				
		281	FT BRAGG NC				
		304	FT MEADE MD	WASH DC MSA			
		314	HOLLOMAN AFB NM	WHITE SANDS NM			
		352	SF/OAK CA PMSA				
		501	AURORA CO				
		531	NATIONWIDE				
	NURSE ANESTHETI	131	AURORA CO				
		239	REDSTONE ARS AL				
		262	FORT LEE VA				
		264	WASH DC MSA				
		283	FT GORDON GA				
	NURSE CLINICAL	018	FT GORDON GA				
		140	GROTON CT	NEW LONDON CT			
		177	COLUMBIA SC				
	NURSE EDUCATOR	140	GROTON CT	NEW LONDON CT			
	NURSE OPER RM	280	FT GORDON GA				
0620	PRACTICAL NURSE	139	GROTON CT				
		207	FT DEVENS MA				
		226	FT MONMOUTH NJ				
		234	CHARLESTON SC				
		261	AURORA CO				
		303	FT MEADE MD	WASH DC MSA			
		306	TACOMA WA				
		536	ALASKA				
	VOCATION NURSE	394	SF/OAK CA PMSA				
	VOCATIONL NURSE	226	FT MONMOUTH NJ				
		260	FT BLISS TX				
0621	NURSING ASST	467	ALASKA				
0622	MED SUPPLY AID	468	ALASKA				
0631	OCCUP THERAPIST	212	YOKOSUKA JAPAN				
		313	FT MEADE MD	WASH DC MSA			
0633	PHYSICAL THERAP	180	WASH DC MSA				
		211	YOKOSUKA JAPAN				
		240	GROTON CT				
0640	ECHOCARDIO TEC	225	HONOLULU HI				
0642	NUC MED TECH	068	WASH DC MSA				
		218	HONOLULU HI				
0644	MED TECH	493	ALASKA				
	MED TECHNOLGIST	236	OAKLAND CA	SAN FRAN CA			
		302	FT MEADE MD	WASH DC MSA			
		494	NAVAJ/PHOEN IHA	TUCSON IHA			
0645	MED TECHNICIAN	237	OAKLAND CA	SAN FRAN CA			

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)	
0646	CYTOLOGY TEC	249	GROTON CT	
		277	PORTSMOUTH VA	
	CYTOLOGY TECH	209	SAN DIEGO CA	
0647	DIAG RAD TEC	006	AURORA CO	
		156	FT MEADE MD	WASH DC MSA
		179	FT ORD CA	
		202	FT DIX NJ	
		258	HONOLULU HI	
		363	SF/OAK CA PMSA	
		471	ALASKA	
0648	THER RAD TEC	030	FAIRFIELD CA	
		046	PORTSMOUTH VA	
		058	SAN DIEGO CA	
		123	AURORA CO	
		206	HONOLULU HI	
		360	WASH DC MSA	
0649	HRT/LNG TECH	537	BILOXI MS	
	MED MACH TECH	001	ANCHORAGE AK	
0651	RESP THER	038	SAN FRAN CMSA	
	RESPIRATRY THER	007	WASH DC MSA	
		233	HONOLULU HI	
		308	TACOMA WA	
0660	PHARMACIST	005	FT ORD CA	
		014	AURORA CO	
		015	FT KNOX KY	
		016	CARLISLE PA	
		019	FT GORDON GA	
		027	FT DRUM NY	
		028	FT STEWART GA	
		039	WASH DC MSA	
		040	FT BENNING GA	
		041	FT RUCKER AL	
		042	FT HOOD TX	
		044	FT JACKSON SC	
		045	FT BLISS TX	
		049	FT DEVENS MA	
		054	FT RILEY KS	
		064	ABERDEEN MD	
		067	FT BRAGG NC	
		074	FT LEON WOOD MO	
		101	SAN ANTONIO TX	
		103	NORFOLK VA	PORTSMOUTH VA
		134	FT DIX NJ	MCGUIRE AFB NJ
		135	FT MONMOUTH NJ	
		189	FT LEWIS WA	

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
0660	PHARMACIST	192	FT CAMPBELL KY				
		210	JACKSONVILLE FL				
		213	PENSACOLA FL				
		217	LAKE COUNTY IL				
		229	HONOLULU HI				
		317	BILOXI MS	GULFPORT MS			
		319	DUGWAY-TOOELE U				
		457	ALAMEDA CA	OAKLAND CA	SAN FRAN CA		
		525	LA/SAN BERN CA				
0661	PHARM TECH	386	SAN FRAN CMSA				
0662	OPTOMETRIST	056	CARLISLE PA				
0675	MED REC TEC	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		255	MONMOUTH CO NJ				
0679	MEDICAL CLERK	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		255	MONMOUTH CO NJ				
0681	DENTAL ASST	473	ALASKA				
0682	DENTAL HYGIENST	250	FT STEWART GA				
		328	CALIFORNIA				
0690	IND HYGIENIST	305	NATIONWIDE				
0696	CONS SAFE SPEC	269	LOS ANGLS CO CA	ORANGE CO CA	SAN DIEGO CO CA	SNTA BARB CO CA	
		270	BERKS CO PA	BUCKS CO PA	CHESTER CO PA	DAUPHIN CO PA	DELAWARE CO PA
			KENT CO DE	LANCASTER CO PA	LEBANON PA	LEHIGH CO PA	MNTGOMERY CO PA
			N'HAMPTON CO PA	NEW CASTLE DE	PHILA CO PA	YORK CO PA	
		271	CHITTENDEN CO VT	FAIRFIELD CO CT	HARTFORD CO CT	MIDDLESEX CO MA	PROVIDENC CO RI
			SUFFOLK CO MA	WORCESTER CO MA			
		272	BROOKLYN CO NY	KINGS CO NY	NASSAU CO NY	NEW YORK CO NY	QUEENS CO NY
			RICHMOND CO NY	ROCKLAND CO NY	SUFFOLK CO NY	W'CHESTER CO NY	
		273	CLAYTON CO GA	COBB CO GA	DEKALB CO GA	DOUGLAS CO GA	FULTON CO GA
			GWINETT CO GA				
		274	ALAMEDA CO CA	CNTRA CST CO CA	MARIN CO CA	SAN FRAN CO CA	SAN MATEO CO CA
			SNTA CLARA CO CA	SONOMA CO CA			
		275	BURLINGTN CO NJ	CAMDEN CO NJ	ESSEX CO NJ	MERCER CO NJ	MIDDLESEX CO NJ
			MORRIS CO NJ	UNION CO NJ			
0699	DIAG MED SONOGR	203	DIX/MCGUIRE NJ				
		509	FT ORD CA				
	DIETETIC TECHN	102	SAN FRAN CA				
	ULTRASOUND TEC	133	WASH DC MSA				
		147	SPOKANE WA				
0800	ENGR (OPTICS)	593	KIRTLAND AFB NM				
0801	ENG GENERAL	195	FT IRWIN CA				
		414	WORLDWIDE				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)	
0802	ENGINEER TECHN	115	DURHAM NH	PORTSMOUTH NH
0803	ENG SAFETY	195	FT IRWIN CA	
		414	WORLDWIDE	
0804	ENG FIRE PREVEN	195	FT IRWIN CA	
		414	WORLDWIDE	
0806	ENG MATERIALS	195	FT IRWIN CA	
		414	WORLDWIDE	
0807	LANDSCAPE ARCHT	195	FT IRWIN CA	
		414	WORLDWIDE	
0808	ARCHITECT	195	FT IRWIN CA	
		414	WORLDWIDE	
0810	ENG CIVIL	195	FT IRWIN CA	
		414	WORLDWIDE	
0819	ENG ENVIRONMNTL	195	FT IRWIN CA	
		414	WORLDWIDE	
0830	ENG MECHANICAL	195	FT IRWIN CA	
		414	WORLDWIDE	
0840	ENG NUCLEAR	200	FT IRWIN CA	
		422	WORLDWIDE	
0850	ENG ELECTRICAL	200	FT IRWIN CA	
		422	WORLDWIDE	
0854	ENG COMPUTER	200	FT IRWIN CA	
		422	WORLDWIDE	
0855	ENG ELECTRONICS	200	FT IRWIN CA	
		422	WORLDWIDE	
0856	ELECTRONICS TEC	115	DURHAM NH	PORTSMOUTH NH
0858	ENG BIOMEDICAL	195	FT IRWIN CA	
		414	WORLDWIDE	
0861	ENG AEROSPACE	195	FT IRWIN CA	
		414	WORLDWIDE	
0871	NAVAL ARCHITECT	195	FT IRWIN CA	
		414	WORLDWIDE	
0880	MINING ENGR	417	NATIONWIDE	
0881	PETROLEUM ENGR	415	NATIONWIDE	
0890	ENG AGRICULTURE	195	FT IRWIN CA	
		414	WORLDWIDE	
0892	ENG CERAMICS	195	FT IRWIN CA	
		414	WORLDWIDE	
0893	ENG CHEMICAL	195	FT IRWIN CA	
		414	WORLDWIDE	
0894	ENG WELDING	195	FT IRWIN CA	
		414	WORLDWIDE	
0895	INDUST ENG TECH	115	DURHAM NH	PORTSMOUTH NH
0896	ENG INDUSTRIAL	195	FT IRWIN CA	
		414	WORLDWIDE	

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)	
0963	LEGAL INST EXMR	023	EASTERN MA	
		037	CONNECTICUT	
		159	JUNEAU AK	
0986	LEGAL CLK/TECHN	023	EASTERN MA	
		037	CONNECTICUT	
		112	ATLANTA GA	
		113	MIAMI FL	
		138	NORTHERN NJ	
		159	JUNEAU AK	
		255	MONMOUTH CO NJ	
		903	LOS ANGELES CA	TERM ISLAND CA
		904	NEW YORK CT NY	
0998	CLAIMS CLERK	023	EASTERN MA	
		037	CONNECTICUT	
		109	PORT NH/ME MSA	
		159	JUNEAU AK	
1001	GEN ARTS & INF	023	EASTERN MA	
		037	CONNECTICUT	
		159	JUNEAU AK	
1021	OFFICE DRAFTING	159	JUNEAU AK	
1046	LANGUAGE CLERK	023	EASTERN MA	
		037	CONNECTICUT	
		159	JUNEAU AK	
1087	EDITORIAL ASST	023	EASTERN MA	
		037	CONNECTICUT	
		109	PORT NH/ME MSA	
		159	JUNEAU AK	
1101	GEN BUS & IND	023	EASTERN MA	
		037	CONNECTICUT	
		109	PORT NH/ME MSA	
		159	JUNEAU AK	
		168	BETHEL AK	
1102	CONTRACT/PROCUR	265	LOS ANGLS CO CA	ORANGE CO CA
		265	LOS ANGLS CO CA	ORANGE CO CA
1105	PURCHASER	023	EASTERN MA	
		037	CONNECTICUT	
		109	PORT NH/ME MSA	
		255	MONMOUTH CO NJ	
1106	PROCMT CLK/ASST	023	EASTERN MA	
		036	LONG ISLAND NY	
		037	CONNECTICUT	
		109	PORT NH/ME MSA	
		159	JUNEAU AK	
		255	MONMOUTH CO NJ	
1107	PROPTY DISP CLK	023	EASTERN MA	

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
1107	PROPTY DISP CLK	037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
1152	PRODUCTION CONT	023	EASTERN MA				
		037	CONNECTICUT				
1170	REALTOR	266	LOS ANGLS CO CA	ORANGE CO CA			
		267	BRONX CO NY	KINGS CO NY	NEW YORK CO NY	PUTNAM CO NY	QUEENS CO NY
			RICHMOND CO NY	ROCKLAND CO NY	W'CHESTER CO NY		
		268	ALAMEDA CO CA	CNTRA CST CO CA	MARIN CO CA	SAN FRAN CO CA	SAN MATEO CO CA
1224	PATENT EXM(BIO)	142	ARLINGTON VA				
	PATENT EXM(ENG)	576	WASH DC MSA				
	PATENT EXM(OTHR	315	WASH DC MSA				
1310	PHYSICIST OPTCS	593	KIRTLAND AFB NM				
1311	PHYS SCI TECH	590	MARE ISLAND CA				
		591	PEARL HARBOR HI				
		592	PORTSMOUTH NH				
1320	CHEMIST	224	NATIONWIDE				
1321	METALLURGIST	589	NATIONWIDE				
1370	CARTOGRAPHER	223	WASH DC MSA				
1382	FOOD TECHNOLOGI	201	BERGEN CO NJ	BRONX CO NY	ESSEX CO NJ	FAIRFIELD CO CT	HUDSON CO NJ
			KINGS CO NY	MIDDLESEX CO NJ	MONMOUTH CO NJ	NASSAU CO NY	NEW YORK CO NY
			PASSAIC CO NJ	QUEENS CO NY	RICHMOND CO NY	ROCKLAND CO NY	SUFFOLK CO NY
			UNION CO NJ	W'CHESTER CO NY			
1411	LIBRARY TECHN	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		255	MONMOUTH CO NJ				
1421	ARCHIVES TECHN	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
1510	ACTUARY	137	CHICAGO IL	DAYTON OH	KANSAS CITY MO	NEW YORK CY NY	PHILADELPHIA PA
			SALT LAKE CITY	WASH DC MSA			
		138	BALTIMORE MD				
1515	OPER RES ANALYS	253	ALAMEDA CO CA	CNTRA CST CO CA	MARIN CO CA	SAN FRAN CO CA	SAN MATEO CO CA
1520	MATHEMATICIAN	253	ALAMEDA CO CA	CNTRA CST CO CA	MARIN CO CA	SAN FRAN CO CA	SAN MATEO CO CA
1529	MATH STATISTICN	032	WASH DC MSA				
		199	PALO ALTO CA				
		253	ALAMEDA CO CA	CNTRA CST CO CA	MARIN CO CA	SAN FRAN CO CA	SAN MATEO CO CA
1531	STATISTCL ASST	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
1550	COMP SCIENTIST	004	WARMINSTER PA				
		253	ALAMEDA CO CA	CNTRA CST CO CA	MARIN CO CA	SAN FRAN CO CA	SAN MATEO CO CA
		097	ANNAPOLIS MD	DAHLGREN VA	PATUXENT RIV MD	WASH DC MSA	

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
1550	COMP SCIENTIST	398	NEW LONDON CT	NEWPORT RI			
1601	GEN FAC & EQUIP	109	PORT NH/ME MSA				
	POWER PLANT SUP	259	NATIONWIDE				
1702	EDU & TRAIN TEC	109	PORT NH/ME MSA				
1712	TRAINING INSTRU	308	TACOMA WA				
1802	COMPLIANCE INSP	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
1816	IMMIGRA INSPEC	285	NEW YORK CT NY				
1831	SECUR COMPL EXA	196	LOS ANGELES CA				
		197	NEW YORK CT NY				
1863	FOOD INSPECTOR	201	BERGEN CO NJ	BRONX CO NY	ESSEX CO NJ	FAIRFIELD CO CT	HUDSON CO NJ
			KINGS CO NY	MIDDLESEX CO NJ	MONMOUTH CO NJ	NASSAU CO NY	NEW YORK CO NY
			PASSAIC CO NJ	QUEENS CO NY	RICHMOND CO NY	ROCKLAND CO NY	SUFFOLK CO NY
			UNION CO NJ	W CHESTER CO NY			
1896	BORD PATROL AG	148	ALABAMA	ARIZONA	CALIFORNIA	FLORIDA	LOUISIANA
			MISSISSIPPI	NEW MEXICO	TEXAS		
1897	CUSTOMS AID	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
1910	QUAL ASSUR SPEC	105	LONG ISLAND NY				
		150	N CENTRAL NJ				
		151	DUTCHESS CO NY	NEW YORK NY MSA	ORANGE CO NY	ULSTER CO NY	
		152	FAIRFIELD CO CT				
1980	AG COMMOD GRD	003	NEW YORK CT NY				
		155	WORLDWIDE				
2001	GEN SUPPLY	159	JUNEAU AK				
2005	SUPPLY CLK/TECH	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		168	BETHEL AK				
		255	MONMOUTH CO NJ				
2091	SALES STORE CLK	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		198	WASH DC MSA				
	SUPPLY CLK/TECH	159	JUNEAU AK				
2101	TRANSPORTN SPCL	159	JUNEAU AK				
		251	NATIONWIDE				
2102	TRANSP CLK/ASST	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		255	MONMOUTH CO NJ				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
2131	FREIGHT RATE	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
2132	TRAVEL	023	EASTERN MA				
		037	CONNECTICUT				
		109	PORT NH/ME MSA				
		159	JUNEAU AK				
		168	BETHEL AK				
2133	PASSENGER RATE	037	CONNECTICUT				
		159	JUNEAU AK				
2134	SHIPMENT CLERK	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
2151	DISPATCHER	023	EASTERN MA				
		037	CONNECTICUT				
		159	JUNEAU AK				
2181	PILOT C141	251	NATIONWIDE				
621	NURSING ASST	193	FT DEVENS MA				
AAAA	ALL SERIES	194	FT IRWIN CA				
		22[illegible]	JOHNSTON ISLAND				
XXXX	(DATA TRANSCRI)	010	S SF BAY CA				
		012	NEW YORK CT NY				
		023	EASTERN MA				
		024	GTR SF BAY CA				
		029	DAHLGREN VA	VINT HL FARM VA	WASH DC MSA		
		037	CONNECTICUT				
		047	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
		070	LOS ANGLS CO CA				
		071	ORANGE CO CA				
		113	MIAMI FL				
		125	MINN/ST PAUL MN				
		154	MERCER CO NJ				
		187	W'CHESTER CO NY				
		255	MONMOUTH CO NJ				
		282	FT MEADE MD				
		284	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
	(STENOGRAPHY)	010	S SF BAY CA				
		012	NEW YORK CT NY				
		023	EASTERN MA				
		024	GTR SF BAY CA				
		029	DAHLGREN VA	VINT HL FARM VA	WASH DC MSA		
		033	NASHUA NH				

INDEX TO CURRENT TITLE V SPECIAL RATE AUTHORIZATIONS
BY OCCUPATION

OCCUPATION SERIES	OCCUPATION TITLE	TABLE NUMBER	COVERED LOCATION(S)				
XXXX	(STENOGRAPHY)	034	PITTSFIELD MA	SCHENECTADY NY	WEST MILTON NY		
		036	LONG ISLAND NY				
		037	CONNECTICUT				
		047	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
		070	LOS ANGLS CO CA				
		071	ORANGE CO CA				
		113	MIAMI FL				
		119	CHICAGO IL				
		125	MINN/ST PAUL MN				
		154	MERCER CO NJ				
		187	W'CHESTER CO NY				
		255	MONMOUTH CO NJ				
		282	FT MEADE MD				
		284	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
	(TYPING)	010	S SF BAY CA				
		012	NEW YORK CT NY				
		023	EASTERN MA				
		024	GTR SF BAY CA				
		029	DAHLGREN VA	VINT HL FARM VA	WASH DC MSA		
		033	NASHUA NH				
		034	PITTSFIELD MA	SCHENECTADY NY	WEST MILTON NY		
		036	LONG ISLAND NY				
		037	CONNECTICUT				
		047	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	
		070	LOS ANGLS CO CA				
		071	ORANGE CO CA				
		113	MIAMI FL				
		119	CHICAGO IL				
		125	MINN/ST PAUL MN				
		154	MERCER CO NJ				
		167	BARROW AK				
		168	BETHEL AK				
		187	W'CHESTER CO NY				
		255	MONMOUTH CO NJ				
		282	FT MEADE MD				
		284	BERGEN CO NJ	ESSEX CO NJ	HUDSON CO NJ	MIDDLESEX CO NJ	MORRIS CO NJ
			PASSAIC CO NJ	ROCKLAND CO NY	SOMERSET CO NJ	UNION CO NJ	

Reprogramming Request for the Salaries and Expenses Appropriation

Senator Domenici. The Fiscal Year 1990 reprogramming request for the "Salaries and Expenses" account proposes a reduction of $3,612,000 in the "Other Services" object classification. The budget justification indicates that the areas of this object class to be reduced to absorb the Fiscal Year 1990 cost of the Fiscal Year 1990 pay raise include training, maintenance, and automatic data processing costs.

A. What is the Fiscal Year 1990 cost of the Fiscal Year 1990 pay raise?

Dr. Combs. The Fiscal Year 1990 pay absorption for the Salaries and Expenses appropriation is $1,023,000. The sequester and other reprogrammings necessitated further adjustments to the "Other Services" object classification.

B. Of the reductions proposed in the "Other Services" object classification, which have been deferred to Fiscal Year 1991 and are included in the Fiscal Year 1991 funding request?

Dr. Combs. We have reduced the FY 1990 level of training, maintenance and automated data processing in the "Other Services" object classification. Restoration of these reductions are not requested in the Fiscal Year 1991 Budget.

C. The Fiscal Year 1990 "Salaries and Expenses" reprogramming request reflects increases in the "Other Rents, Communications, and Utilities," "Printing," "Total Supplies," and "Total Equipment" object classifications. What is the justification for the increase in each of these areas?

Dr. Combs. The object classification, "Other Rents, Communications, and Utilities," reflects a decrease of $263,000. The proposed reprogramming increases for "Printing", "Total Supplies," and "Total Equipment" are requested primarily to bring the estimated obligations more in line with Fiscal Year 1989 actual costs that are expected to recur in Fiscal Year 1990.

Earmarking of Funds for the Office of Foreign Assets Control

Senator Domenici. The Fiscal Year 1990 object classification detail indicates that Congressional action, i. e., the earmarking of funds and positions for the Office of Foreign Assets Control, required increases in the "Travel" and "Equipment" object classes and decreases in the personnel and "Other Services" object classifications. Why did the earmarking of funds for the Office of Foreign Assets Control cause these changes from the president's original request?

Dr. Combs. The Joint Explanatory Statement of the Committee of Conference, Conference Report 101-276, specifically directs Departmental Offices to provide the Office of Foreign Assets Control (OFAC) with $2 million, including 40 positions and $50,000 for staff travel. Approximately 18 FTE and $900 thousand were available to OFAC in the FY 1990 President's budget. Because Congress did not provide funding increases in Departmental Offices' budget for OFAC, Departmental Offices reallocated $1.1 million and 22 full-time equivalent (FTE) positions from other offices to OFAC.

The redistribution required that Departmental Offices reduce funding available for personnel in other program areas, as well as in automated data processing maintenance and support services. The increase in "Equipment" is required for additional office furniture and computers for the new OFAC staff.

Unisys Computer System

Senator Domenici. The Fiscal Year 1991 request includes a total increase of $530,000 in operating expenses for the Department's Unisys computer system. The budget justification indicates that this increase is needed due to the decrease in reimbursable income to fund these expenses. The justification also indicates that although a new financial management system is scheduled to be implemented at the beginning of Fiscal Year 1991, the current Unisys-based system will continue to be required to support historical records.

A. The budget justification indicated that the Unisys system currently has only 30% utilization. What was the utilization of Unisys in previous fiscal years? Who were the customers paying for use of this system? What was the level of reimbursable income to support Unisys in each of Fiscal Years 1988, 1989, and 1990?

Dr. Combs. From Fiscal Year 1984 through the end of Fiscal Year 1986, the Unisys system had approximately 75% utilization. In Fiscal Year 1987, with the installation of new VAX 8800 computers, Unisys utilization began dropping steadily in almost a linear path, to the current 30% utilization.

The following list of reimbursable customers identifies (by asterisk) those remaining on the system in Fiscal Year 1990 and those (without asterisks) who paid for use of the system in prior years but have migrated to other systems:

Internal Revenue Service, Criminal Investigation
Internal Revenue Service, Collection

Internal Revenue Service, Planning, Finance, and Research
Internal Revenue Service, Examination
National Oceanic and Atmospheric Administration
Health and Human Services, Family Support Services
Department of Commerce, Bureau of Economic Analysis
Congressional Budget Office
Fish and Wildlife Services
Office of Revenue Sharing (The Revenue Sharing Act was not reauthorized in 1986.)
Appalachian Regional Commission*
Joint Committee on Taxation*
Federal Financing Bank*
Internal Revenue Service, Collection Division*
Working Capital Fund*
Office of Synthetic Fuels*
Savings Bonds*

The level of reimbursable income to support Unisys in Fiscal Years 1988, 1989, and 1990 is as follow:

Fiscal Year	Reimbursable Income
FY 1988	$542,659
FY 1989	$144,635
FY 1990	$178,360

B. The Fiscal Year 1991 request indicates that all expenses for maintenance of the Unisys computer system will be covered by direct funding rather than by reimbursable and direct funding as in previous years. If the system still has 30% utilization, why isn't there still a small amount of reimbursable funding to support this system? Which customers will continue to utilize this system in Fiscal Year 1991?

Dr. Combs. Currently, we are projecting that no reimbursable customers will utilize the Unisys computer system in Fiscal Year 1991. Departmental Offices (not a reimbursable customer) will be the only user in Fiscal Year 1991. It is anticipated that Departmental Offices' historical financial records will be migrated off the system by the end of Fiscal Year 1991.

C. Will there be a continuing future-year funding requirement to support the current Unisys-based computer system for historical records storage?

Dr. Combs. No future-year funding requirement is needed to support the Unisys computer system because it is anticipated that Departmental Offices' historical financial records will have migrated off this system by the end of Fiscal Year 1991.

D. What funding is included in the base for both the "Salaries and Expenses" and "International Affairs" appropriations for Unisys?

Dr. Combs. Expenses for maintaining the core Unisys system in Fiscal Year 1991 are estimated at $1,040,000 including $852,800 for "Salaries and Expenses" appropriation and $187,200 for "International Affairs" appropriation.

Repairs and Improvements Projects

Senator Domenici. The Fiscal Year 1991 request includes base funding of $562,000 and an increase of $427,000 for demolition of the old Treasury cafeteria and restoration of the south courtyard of the Main Treasury Building. What amount of base funding is included in the Fiscal Year 1991 request for each of these projects? Of the requested increase in funding, how much is for each of these projects? If funding is provided, will both these projects be completed by the end of Fiscal Year 1991?

Dr. Combs. The base funding of $562,000 will cover the design for the project and the demolition of the cafeteria. There will be insufficient funds available to restore the courtyard.

The cost breakdown is as follows:

Project Design (contract drawings)	$ 49,000
Demolition	$ 420,000
Restoration of the Courtyard	$ 520,000
Total	$ 989,000

The project design will be completed by the end of Fiscal Year 1991. The restoration should be completed by mid-Fiscal Year 1992.

Personnel System Conversion

Senator Domenici. What is the status of the Treasury Department's personnel system conversion to the Department of Agriculture's system? What is the schedule for conversion of all Treasury Bureaus to this new system?

Dr. Combs. The Treasury Department began the conversion of payroll and personnel processing to the U.S. Department of Agriculture's (USDA) Payroll/Personnel System in July 1988. In October 1988, the first bureau (U.S. Savings Bonds Division) was converted.

During February 1989, a Treasury Department conversion schedule was negotiated with USDA that calls for the completion of all conversion processes by June 1992 (Attachment). In accordance with that schedule, the Bureau of Alcohol, Tobacco, and Firearms was converted in June 1989, and Departmental Offices was converted in October 1989. The Bureau of Public Debt, currently completing a very successful parallel test on the USDA System, is scheduled to complete conversion in April 1990. The U.S. Secret Service will begin parallel testing in early April and will be converted by July 1990.

Future conversions include: U.S. Mint and IRS Mid-Atlantic Region (October 1990); Financial Management Service and IRS North Atlantic Region (April 1991); IRS Central and Mid-West Regions (June 1991); IRS National Office and Southeast Region (October 1991); U.S. Customs Service, Federal Law Enforcement Training Center and IRS Western Region (April 1992); and Bureau of Engraving and Printing, Comptroller of the Currency and IRS Southwest Region (June 1992).

SCHEDULE FOR CONVERSION OF THE TREASURY DEPARTMENT TO THE USDA PAYROLL/PERSONNEL SYSTEM (REVISED FEBRUARY 1989)

NON-IRS PAYROLL TRACK (BUREAUS)	CONVERSION DATE	ESTIMATED ACCOUNTS	IRS PAYROLL TRACK (REGIONS)	ESTIMATED ACCOUNTS	CUMULATIVE ACCOUNTS ON USDA
Savings Bonds	Oct. 1988	265	Open		265
Alc Tob & Firearm	Jun. 1989	3,880	Open		4,145
Departmental Offices	Oct. 1989	1,528	Open		5,693
Public Debt**	Apr. 1990	2,066	Open		7,739
Secret Service	Jul. 1990	4,473	Open		12,212
U.S. Mint**	Oct. 1990	2,226	Mid-Atlantic**	15,374	29,812
Fin Mgmt Svc **	Apr. 1991	2,495	North Atl.**	19,807	52,114
Open	Jun. 1991		Central** & Mid-West**	13,518 14,114	79,746
Open	Oct. 1991		Natl. Off. & South East**	11,494 20,413	111,653
U.S. Customs** and FLETC	Apr. 1992	19,117 423	West**	20,191	151,384
Engr & Printing and Comptroller of the Currency	Jun. 1992	2,296 3,332	Southwest**	22,650	179,662
GRAND TOTALS	NON-IRS = 42,101		IRS = 137,561		179,662

** Multiple Sites to be converted.

Note: Estimated account totals are as of July 1989.

Pay Raise Costs

Senator Domenici. The Department's Fiscal Year 1990 reprogramming request for the "International Affairs" appropriations proposes to curtail computer equipment purchases to partially accommodate pay raise costs.

What is the Fiscal Year 1990 cost of the Fiscal Year 1990 pay raise? Of the computer equipment purchases being deferred to meet these costs, which are included in the Fiscal Year 1991 request and which are not?

Dr. Combs. The Fiscal Year 1990 3.6% pay raise for the International Affairs appropriation will cost $464,000. None of the Fiscal Year 1990 reductions in computer equipment purchase are included in the Fiscal Year 1991 request.

Comprehensive Benchmark Survey of Foreign Portfolio Investment in the United States

Senator Domenici. A program increase of $150,000 is included in the Fiscal Year 1991 "International Affairs" request to fund a "Comprehensive Benchmark Survey of Foreign Portfolio Investment in the United States." Is any funding included in the base for this survey? If so, how much?

Dr. Combs. In FY 1991, total costs for the survey are estimated to be approximately $358,000, of which $208,000 is included in the base. Costs for the survey include compensation for permanent and temporary staff.

Separation of Salaries and Expenses and International Affairs Appropriations

Senator Domenici. In the past, the Treasury Department has consistently proposed the merger of Departmental Offices' "Salaries and Expenses" and "International Affairs" appropriations accounts in order to facilitate the administration of these funds and to eliminate the need to maintain separate accounting records.

Given the Department's previous position, why are two accounts being proposed for Fiscal Year 1991?

Dr. Combs. For several years, Congress has required separate Salaries and Expenses and International Affairs appropriations. Although the Senate has supported the President's Budget request for merged appropriations, the House has not. The final appropriations bill traditionally reflected separate appropriations. Accordingly, consistent with the Congressional direction contained in the two appropriations passed by Congress, the FY 1991 President's Budget for Departmental Offices requests separate appropriations.

Office of Foreign Assets Control

Senator Domenici. The Fiscal Year 1990 Appropriations Act (P.L. 101-136) requires that not less than $2 million and 40 full-time permanent positions be allocated to the Office of Foreign Assets Control. What is the current staffing level of the Office of Foreign Assets Control? Will the office be in compliance with the statutory staffing level of 40 full-time permanent positions in Fiscal Year 1990?

Dr. Combs. Because additional resources were not provided in the appropriation for this enhancement, identification of and reductions in planned expenditures in other program areas was necessary. In addition, funding constraints imposed by the President's sequestration order delayed recruitment of Office of Foreign Assets Control (OFAC) staff. The current OFAC staffing level is 22 Full-Time Equivalents. OFAC is actively recruiting additional staff, with the intention of achieving the Congressionally-mandated staffing level of at least 40 positions in FY 1990.

Senator Domenici. How has the increase in funding and staffing provided for the Office of Foreign Assets Control for Fiscal Year 1990 improved the office's ability to properly carry out its statutory responsibilities?

Dr. Combs. At the time the additional funding and staffing were Congressionally-mandated, the Office of Foreign Assets Control (OFAC) was operating with a permanent staff of 18 Full-Time Equivalents, and 7 employees on detail. The current OFAC staffing level is 22 FTE. This increase of 4 FTE includes the conversion of 3 temporary/detail employees to permanent status and filling 1 additional position. While we have not yet experienced a measurable increase in personnel, the future increase in staff will enable OFAC to undertake more comprehensive enforcement of U.S. sanctions, improve regulatory compliance, and enhance public awareness of sanctions prohibitions.

Office of Foreign Assets Control
Object Class Breakdown

Senator Domenici. Would you please provide for the record a breakdown by object classification of the Fiscal Year 1991 funding request for the Office of Foreign Assets Control as compared to Fiscal Year 1990.

Dr. Combs. The breakdown by object classification follows (dollars in thousands):

Object Class	FY 1990 Authorized	FY 1991 Request*
Personnel Comp.	$1,439	$1,871
Benefits	217	282
Travel	50	53
Other Services	5	5
Supplies	1	1
Equipment	288	0
Total	$2,000	$2,212

*The object class break-out reflects expected increases in personnel costs to accommodate pay raise and full-year (FY 1991) effects of the partial-year hiring that occurred in FY 1990.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

FEDERAL BUDGET

FINANCIAL CRIMES ENFORCEMENT NETWORK

Senator D'Amato: The Subcommittee recently approved the Department's request to reprogram $13.387 million and 66 full-time equivalent positions to establish and operate the Financial Crimes Enforcement Network (FinCEN) in Fiscal Year 1990. When we first discussed the Department's proposal to establish FinCEN, we were told that FinCEN will provide coordinated, multi-agency, analytical technical assistance to money laundering investigations. We were also told that one of the current problems you were seeking to address is the fact that the Government's data on the extent of money laundering is fragmented and that access to various data bases is restricted to the agency that owns the data. FinCEN would create expertise in the diverse data sources at one location, and, to do this, would need access to other agency data bases and analysts from diverse agencies to teach each other about the data bases.

Given this, what has been done to secure the full participation in FinCEN of those agencies and Departments outside of the Treasury Department and FinCEN's access to all relevant enforcement and data bases? What firm agreements do you have from Federal agencies outside the Treasury Department?

Secretary Brady: All major Federal law enforcement and regulatory agencies who are expected to play a large role in FinCEN and benefit most from its initial work have been contacted. The recent selection of Brian Bruh as the Director of FinCEN and your approval of the funding has greatly assisted in the increasing interest in other agency participation in FinCEN.

In addition to Treasury participation, FinCEN has been gaining cooperation from non-Treasury agencies. For example:

a) Postal Inspection Service -- An agent has been assigned to FinCEN on a full-time basis for 90 days to determine their future role in FinCEN. This agent has brought with him access to numerous postal service data bases. These types of data bases are crucial to the success of FinCEN.

b) DEA -- They have stated that they will participate in FinCEN and with FinCEN's input are studying the scope and extent of participation.

c) FBI -- A supervisory Special Agent and intelligence analyst will be assigned to FinCEN.

d) Federal Reserve -- They have committed a person from their Cash Management Section, and we are also requesting that they assign someone from their examination function. Negotiations as to access to their data bases is continuing.

e) FDIC & SEC -- While no firm commitment from each of these agencies has been received, we have held numerous high level meetings to discuss FinCEN and their participation. Both agencies seem agreeable to data base access as well as assignment of personnel.

Senator D'Amato: Now that the funding has been provided for FinCEN for fiscal year 1990, what do you expect to accomplish by the end of the fiscal year?

Secretary Brady: Staffing Milestones

- FinCEN staffing is expected to reach approximately 165 employees by October 1, 1990. There will be 40 Special Agents, 70 intelligence research specialists, 6 intelligence aids, 12 auditors, 15 computer specialists/programmers, and 10 program managers. The remainder of the positions will be made up of support personnel.

ADP Milestones

- With the funds allocated to this area, it is expected that the computer local area network (LAN) will be up and running with sufficient workstations to support 130 users.

- The FinCEN Tactical database will be supporting ongoing criminal investigations.

- The first phase Artificial Intelligence system enhancements should be substantially completed. During the enhancement phase, the identification of targets will be continued and supplied to field organizations.

Operational Milestones

- By the end of the Fiscal Year, FinCEN plans to have completed or to have operational the following:

Operations Center up and running on a 14-16 hour per day basis.

Numerous tactical reports developed for the field which will result in the initiation or coordination of investigations.

Response teams operational, i.e., supporting complex field investigations with onsite analytical and computer techniques.

Initiate issue-specific seminars to be attended by experts from law enforcement, regulatory, and banking and financial community.

Federal Reserve Cash Flow studies and analysis of the cash flow between financial depository institutions and the Federal Reserve.

Casa de Cambio/Currency Exchange House Study - detailing the threats posed by these entities located on both sides of the Northern and Southern Borders.

Form 8300 Study - study identifying foreign individuals or businesses in order to develop a profile on the types of foreign individuals and businesses that are currently purchasing goods or services in the United States with cash.

Senator D'Amato: Will there be any duplication of effort between FinCEN and the proposed National Drug Intelligence Center?

Secretary Brady: The NDIC and FinCEN, as separate organizations, will work closely together through the mutual exchange of information. The NDIC will provide drug-related enforcement data and analytical products to FinCEN. In turn, FinCEN will provide the NDIC with the critical drug money laundering intelligence and financial analytical products necessary to produce a more complete picture of drug trafficking organizations. Duplication of effort is not deemed to be a serious issue with respect to these two organizations.

Senator D'Amato: What is your view as to whether the proliferation of different intelligence and data bases may result in duplication of effort and perpetuate the existing fragmentation of law enforcement efforts, aside from the fact that it will result in duplicative costs?

Secretary Brady: FinCEN will be accessing data bases and anticipates having a data base of its own that, for most part, contains information that is not **duplicative in nature.** The question of proliferation should not be an issue.

Senator D'Amato: Wouldn't a consolidation of intelligence operations be more efficient and ultimately ensure a higher degree of cooperation among federal law enforcement agencies?

Secretary Brady: FinCEN will be identifying suspicious financial activity and then attempting to tie the activity to the underlying crime. By adopting this approach of first finding the money laundering activity, FinCEN will actually eliminate costly duplication of effort since there will be no need for separate financial intelligence centers for narcotics trafficking, pornography, fraud, etc.

Senator D'Amato: What resources will the Treasury Department (FinCEN) commit to the operation of a National Drug Intelligence Center?

Secretary Brady: FinCEN will work closely with the NDIC through the mutual exchange of information. FinCEN will provide the financial intelligence needed to augment the narcotics intelligence being developed by the NDIC. The NDIC will provide drug-related enforcement data and analytical products to FinCEN. In turn, FinCEN will provide the NDIC with critical drug money laundering intelligence and financial analytical products necessary to produce a more complete picture of drug trafficking organizations.

Senator D'Amato: Although we should place high priority on funding for the war on drugs, what is your position on protecting or increasing anti-drug funding at the expense of the non-drug related activities of Treasury's law enforcement bureaus?

Secretary Brady: I believe the budget before you presents a balanced enforcement program. Treasury's request for drug enforcement in FY 1991 is significant -- over three quarters of a billion dollars. The funding is consistent with our National Drug Control Strategy. The Department does have other enforcement concerns such as protection of the President, counterfeiting, Customs smuggling and fraud, income tax evasion, and enforcement of our nations's firearms and explosives laws. While the war on drugs is a high priority, as Secretary of the Treasury, I must insure that the Department's other enforcement programs are adequately funded. I am confident the FY 1991 budget request satisfies the dual goal of recognizing the significance of our anti-drug activities while not jeopardizing our other enforcement responsibilities.

SUBCOMMITTEE RECESS

Senator **Kerrey**. This subcommittee stands in recess until 10 a.m., Wednesday, March 21.

[Whereupon, at 3:34 p.m., Tuesday, March 20, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 21.]

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1991

WEDNESDAY, MARCH 21, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:15 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini, Kerrey, Domenici, and D'Amato.

DEPARTMENT OF THE TREASURY

U.S. SECRET SERVICE

STATEMENT OF JOHN R. SIMPSON, DIRECTOR

ACCOMPANIED BY:

- **STEPHEN E. GARMON, DEPUTY DIRECTOR**
- **DAVID C. LEE, ASSISTANT DIRECTOR, ADMINISTRATION**
- **GUY P. CAPUTO, ASSISTANT DIRECTOR, PROTECTIVE OPERATIONS**
- **TERRENCE SAMWAY, ASSISTANT DIRECTOR, PROTECTIVE RESEARCH**
- **GARRY M. JENKINS, ASSISTANT DIRECTOR, INVESTIGATIONS**
- **DON A. EDWARDS, ASSISTANT DIRECTOR, OFFICE OF TRAINING**
- **FRANK PALMER, CHIEF, FINANCIAL MANAGEMENT DIVISION**
- **DAVID M. NUMMY, DEPUTY ASSISTANT SECRETARY FOR DEPARTMENTAL FINANCE AND MANAGEMENT, DEPARTMENT OF THE TREASURY**

OPENING REMARKS

Senator DECONCINI. The Subcommittee on Treasury, Postal Service, and General Government will come to order.

This morning the subcommittee will be taking testimony on the fiscal year 1991 budget requests of the U.S. Secret Service and the Internal Revenue Service. We will begin with the Secret Service.

Welcome, Mr. Director. We are pleased you are here, Mr. Director. It is interesting to note that your 125th anniversary is just a few months away, and we wish you another 125 years.

The Secret Service budget for fiscal year 1991 totals $397.6 million, and 4,531 FTE positions. This amount represents an increase of $31.4 million, and 95 FTE positions over the fiscal year 1990 enacted level. I look forward to reviewing this with you, Mr. Director.

There has been a great deal of emphasis this past year on the war on drugs. It is getting daily press in the media coverage, as well it should. The Federal agents involved in the drug war are highly visible.

However, I want to assure you that we are well aware that there are other law enforcement officers and agencies besides those that deal with the drugs, yours being one of them, that have people who risk their lives on a daily basis, and are very committed law enforcement officers.

Whether they are protecting American officials, foreign heads of state or investigating one of the many crimes involving our currency, these men and women perform a mission that is very, very vital to the country, and this committee is not going to forget them, as we try to find the money to fund the war on drugs.

I have a number of questions about the Secret Service budget, and I will let you present your statement first, Mr. Director, and then we will go to the questions.

Did you want to introduce everybody here?

Mr. SIMPSON. Thank you, Mr. Chairman. I think you know almost everyone.

Senator DECONCINI. You could submit them for the record if you would prefer to do that.

Mr. SIMPSON. Yes, Mr. Chairman; we will submit them for the record. The only new member of the staff is Mr. Samway, and his biography has been prepared and will be submitted.

Senator DECONCINI. All right, very good.

STATEMENT OF JOHN SIMPSON

Mr. SIMPSON. We have a short statement, sir, and we would like to submit the long one for the record.

Senator DECONCINI. That would be fine, and without objection that is what we will do.

Mr. SIMPSON. I know there is a time constraint here, so I will try as best I can to honor that. You have already mentioned our 125th anniversary.

I know that you are very familiar with the reasons why the Secret Service was created in 1865, and how the protective operations function evolved in 1901, with the assassination of President McKinley.

Before I begin, sir, I would like to take the opportunity to thank you very much for your support and for your introduction of the NACLE Pay Commission bill. Without your support and initiative, I don't think that we would have reached the point that we are at now.

Senator DECONCINI. Thank you, Mr. Director. I think we still have a long way to go, but at least we have started.

Mr. SIMPSON. I am sure we probably do, sir, but with your support I think that our goals will be reached sooner. So I just wanted to make sure that you knew that we appreciate your support, and I think I can speak for all of my colleagues in the law enforcement community.

I know we have had several conversations about it, and everyone has articulated their real pleasure with the fact that you, particularly, were supportive of it.

Senator DeConcini. Thank you.

Mr. Simpson. And you enjoy a reputation, obviously, among your colleagues. That is something that is important when a pay bill like that is introduced.

If I could, Mr. Chairman, for purposes of our recorder, start on page 8 of the short statement, for brevity and to also have time to address questions.

Senator DeConcini. That is fine.

INVESTIGATIONS

Mr. Simpson. The Service's investigative mission has grown at a rate comparable to its protective mission. From the original mandate to protect only this Nation's currency, have come new responsibilities reflecting the Nation's increasingly complex, highly technical economy.

Today, that includes fraud associated with computer access devices, the fraud and forgery of Government securities, fraud associated with the electronic fund transfer system of the U.S. Treasury, and the fraudulent use of identification documents and food coupons.

Also, the increased ties between drugs and the Service's traditional violations of counterfeiting and false identification are a major factor contributing to the growth of our investigative mission.

PROTECTION

Although I have given you only a brief historical overview—that was at the beginning, sir—I would now like to address the Service's fiscal year 1991 budget request.

The effective performance of our protective mission remains a primary goal of our organization, and protective activities continue to be a major factor in our budget requests.

Our permanent protectees traveled to 2,685 domestic and 215 foreign stops during fiscal year 1989. Presidential travel increased by 100 percent over fiscal year 1985, and by 227 percent over fiscal year 1981.

Foreign dignitary visits still continue at significant levels, and averaged 5.5 days each in fiscal year 1989. These visits demand a labor intensive approach to provide an atmosphere conducive to foreign policy development.

The ever-increasing threat of worldwide terrorism poses significant problems for the Service in its efforts to carry out its protective mission. This climate makes the Service's mission that much more costly in terms of personnel and other resources, while at the same time making it that much more critical that the Service be successful in its endeavors.

The more recent phenomenon of narco-terrorism, where criminal elements declare war on a nation, further exacerbates an already deadly situation. The efforts exerted in seeking to ensure the President's safe travel to Colombia were immense.

Sadly, it appears that this is only an indication of what the Service is going to face more routinely in the future as it carries out its responsibilities.

Again, this marked increase in protective activity has not occurred without a significant impact on the Service's resources.

During fiscal year 1989, the Service continued to work to improve necessary security systems at the White House complex and the Naval Observatory. Our budget request for fiscal year 1991 contains funding for renovation of a command post at the Naval Observatory.

Implementation of the nationwide communications network continues. Our request provides for upgrades to ADP and communications systems. The Service must be on the cutting edge of this technology to maximize its benefits as they relate to our responsibilities and to remain ahead of our adversaries.

Development of the James J. Rowley Training Center, in accordance with the revised master plan is ongoing, and we expect the center to be fully operational in 1991; again, thanks to the support of this particular committee, and to you, sir.

The center will be a state-of-the-art facility to provide training for our ever-changing world of protection.

INVESTIGATIVE ACTIVITY

We are making similar strides in our investigative mission. We have opened two additional offices overseas to combat the increasing threat of foreign counterfeiting of U.S. currency.

The Service has also become a leader in the development of sophisticated forensic capabilities. One such effort will result in the development of a computerized handwriting analysis system. The purpose of this system is to determine the authors of threat letters directed at our protectees by comparing these letters against those already in the system.

We have also upgraded our automated fingerprint identification system, and utilized our newly acquired international ink library to provide technical assistance to other law enforcement agencies.

Recently, our fingerprint system was used to identify a threat against a protectee, by searching case data already in the system. As a result of being involved in other crimes in another area of the country, it was possible to effect an identification of the individual involved in the threat.

There were 237,112 case receipts and pending investigations last fiscal year. The total number of access device and computer fraud investigations increased by 33 percent over fiscal year 1988. The total number of arrests was 1,843.

The investigation of financially oriented criminal enterprises through task force participation is a high priority with the Secret Service. To date, more than 27 field offices are involved in task force operations, focusing on organized crime, bank fraud, drug trafficking, and fraud relating to false identification documents.

EQUAL EMPLOYMENT OPPORTUNITY

The Service continues to increase female and minority employment in our Special Agent and Uniformed Division ranks. In October, we will assist in hosting the Biennial Conference of the Organization of Women in Federal Law Enforcement.

The future holds many challenges for the Secret Service. With the necessary resources, we can provide for the continued safety of our protectees, implement rapidly changing technology, confront a sophisticated criminal element and its drug implications, and fulfill our protective and investigative mandates, which include major endeavors such as the recent drug summit in Colombia.

PREPARED STATEMENT

Mr. Chairman, this concludes my statement. I will be pleased to answer any questions you or the other members of the subcommittee have.

[The statement follows:]

STATEMENT OF JOHN R. SIMPSON

Mr. Chairman and members of the Committee, I am pleased to be here today to discuss the fiscal year 1991 appropriation request of the United States Secret Service.

With me today, Mr. Chairman, are the Deputy Director, Mr. Stephen E. Garmon, Mr. David C. Lee, Assistant Director for Administration, Mr. Guy P. Caputo, Assistant Director for Protective Operations, new staff member Mr. Terrence Samway, Assistant Director for Protective Research, Mr. Carry M. Jenkins, Assistant Director for Investigations, Mr. Don A. Edwards, Assistant Director for Training, and Mr. Frank Palmer, Chief of our Financial Management Division. Since this is the first appearance of Mr. Samway before this Committee, a biographical sketch is inserted for the record.

FISCAL YEAR 1991 APPROPRIATION REQUEST

The pending appropriation request for fiscal year 1991 totals $397,640,000 and 4,531 FTE positions. This is a net increase of $31,378,000 and 95 FTE positions over the fiscal year 1990 post sequester funding level of $366,262,000. This request reflects program increases of $15,967,000, funds to cover cost increases and maintain our current operating level of $24,482,000, and a reduction of $9,071,000 for non-recurring costs. The program increases will provide for the safety of our protectees, enforce our investigative jurisdictions, allow improvements in our daily operations, enable technology enhancements, allow for major renovations, and provide startup funds for the 1992 Presidential Campaign.

125TH ANNIVERSARY OF THE SECRET SERVICE

Before I discuss our budget request, I would like to mention an important milestone. On July 5, 1990, the Secret Service will commemorate 125 years of loyal, selfless dedication to the American people. The Service was created three months after the Civil War ended. At its inception, it was comprised of a Chief and ten "operatives." Its sole responsibility at that time was to suppress the rampant counterfeiting of U.S. currency. During the Service's first four years, approximately 800 counterfeiters were arrested. That figure increased to 7,031 during this last four years, an increase of almost 900 percent. During this same recent four year period, seizures of U.S. counterfeit currency totalled $286.4 million, which clearly illustrates that counterfeiting is an ongoing problem.

Following the assassination of President McKinley in 1901, the Secret Service began providing Presidential protection. Since then, the Service's Protective responsibilities have increased dramatically.

The tragic assassination of President John F. Kennedy on November 22, 1963, led to monumental changes for the Service. As a result of this incident, the "Warren Commission" recommended the following: an increase in the number and training of Special Agents; the expansion of protective intelligence; and the acquisition of sophisticated technical security, ADP, and communications equipment.

Subsequent assassination attempts directed towards then Presidents Ford and Reagan demonstrated the need to continually increase our capabilities in order to meet the increasing threats to our protectees. Also, the rise in terrorism, the rapid growth in our mandated investigative jurisdictions, and the increased mobility of our protectees have necessitated expansion far beyond the Service's humble beginnings and resulted in a budget that is sometimes "incident driven" but more often serves to prevent incidents. I cite the recent Drug Summit in Colombia as an example of both.

The Service's investigative mission has grown at a rate comparable to its protective mission. From the original mandate to protect only this nation's currency, have come new responsibilities reflecting the nation's increasingly complex, highly technical economy. Today, that includes fraud associated with access devices such as credit cards, computer fraud, the fraud and forgery of government securities, fraud associated with the electronic fund transfer system of the U.S. Treasury, and the fraudulent use of identification documents and food coupons. In addition, the Service is mandated to investigate certain criminal irregularities that adversely impact on the Federal Deposit Insurance Corporation (FDIC). Also, the increased ties between drugs and the Service's traditional violations of counterfeiting and false identification, is a major factor contributing to the growth of our investigative mission.

PROTECTION

Although I've given you only a brief historical overview, I would now like to address the Service's fiscal year 1991 Budget Request.

The effective performance of our protective mission remains a primary goal of our organization, and protective activities continue to be a major factor in our Budget Requests.

PERMANENT PROTECTION

In fiscal year 1989, the Secret Service's permanent protectees mandated by Title 18 SEC 3056, traveled to 2,685 domestic and 215 foreign stops during fiscal year 1989.

With a new President in office, Presidential travel increased by 100 percent over fiscal year 1985 and by 227 percent over fiscal year 1981. President Bush traveled to the Far East in February, 1989, throughout Europe in May, and again in July for an Economic Summit. At the same time, Vice President Quayle traveled extensively throughout South America, Central America, the Far East, and the South Pacific.

During fiscal year 1989, the new former President and Mrs. Reagan remained active, traveling protectees; as did former President Carter, whose level of travel increased in response to world events. Travel by former President Ford, Mrs. Ford, and Mrs. Johnson continued at prior levels.

This fiscal year and next, the off-year Congressional and gubernatorial elections will prompt additional travel by President Bush. So far this fiscal year, the President has attended the Malta Summit and the Colombian Drug Summit. In July, he will host world leaders at an Economic Summit in Houston, Texas. Also, a tentative visit of General Secretary Gorbachev is anticipated, possibly during the month of June. Travel plans for fiscal year 1991 include an overseas Economic Summit and a possible Soviet Summit. Vice President Quayle has traveled to Central America and plans trips to South America and other tentative overseas locations.

During fiscal year 1991, the planning of candidate protection details and security arrangements for the two national conventions will commence. Our fiscal year 1991 request contains $5.9 million to accomplish this.

The ever-increasing threat of world-wide terrorism poses significant problems for the Service in its efforts to carry out its protective mission. The disruptive threats and deadly acts carried out by State governments such as Libya and Iran and by other organizations which seek to affect world decisions through terrorist activity makes the Service's mission that much more costly in terms of personnel and other resources, while at the same time making it that much more critical that the Service be successful in its endeavors. The more recent phenomenon of narco-terrorism, where you have organized criminal elements actually declaring war on a nation and its duly elected government just further exacerbates an already deadly situation. The efforts exerted in seeking to ensure the President's ability to safely travel to Colombia, carry out his mission, and safely return to the U. S. were immense. Sadly, it appears that this is only an indication of what the Service is going to face more routinely in the future as it carries out its varied responsibilities.

Again, this marked increase in protective activity has not occurred without a significant impact on the Service's resources.

DIGNITARY PROTECTION

Last fiscal year, foreign dignitaries visited the United States in record numbers to meet the new administration. Foreign dignitary visits still continue at significant levels and averaged 5.5 days each in fiscal year 1989. These visits demand a labor-intensive approach to provide an atmosphere conducive to foreign policy development. Dignitaries who attended the United Nation's 44th General Assembly required 24 security details, and, in some cases, extra security planning. The Service anticipates the need for additional security details for the United Nation's 45th General Assembly this Fall. These details are coordinated by our New York Field Office.

This July, Heads of State from Canada, England, France, Italy, Japan, and West Germany will participate in an Economic Summit to be held in Houston, Texas. We expect an increase in visits from the new leaders of Eastern Europe who will meet with members of the new administration to discuss economic matters. We also anticipate another visit by General Secretary Gorbachev this year.

During fiscal years 1990 and 1991, protection of foreign VIP's will be generated by the United Nations General Assembly, a Caribbean Conference in Miami, the Turner Goodwill Games, and the International Monetary Fund Meeting.

Changing world political events will continue to play a major role in determining the number of visits by foreign dignitaries, and the subsequent impact upon the Secret Service.

PROPERTY PROTECTION

In fiscal year 1989, the Service implemented protection for a new President, Vice President, and their families at their primary and secondary residences.

Security was enhanced at President Bush's residence in Kennebunkport, Maine. At the same time, security requirements were implemented at the new primary residence of Former President and Mrs. Reagan in Bel Air, California.

Funds are included to allow the Service to continue to work to improve necessary security systems at the White House Complex and the Naval Observatory. This budget request also contains funding for renovating the Command Post at the Naval Observatory.

Screening persons in the vicinity of selected Secret Service protectees via magnetometer units continues to be an effective program for uncovering weapons and deterring actions by potentially harmful individuals. A total of 207 legal guns, 5 illegal guns, and 948 miscellaneous weapons (including mace, knives, razor blades, starter pistols), were detected in fiscal year 1989. A total of 590 legal guns, 2 illegal guns, and 406 miscellaneous weapons were detected during the first four months of fiscal year 1990.

Last fiscal year, the total number of visitors processed at the White House was 2,237,091, an increase of 53 percent over fiscal year 1988. Essential support was provided by our Canine Unit which performed 79,910 searches during fiscal year 1989.

Uniformed Division Officers made 506 arrests last fiscal year, and they effected 271 arrests during the first four months of this fiscal year. The Uniformed Division Foreign Missions Branch provided security for 446 foreign missions and embassies in fiscal year 1989, a slight increase over fiscal year 1988.

PROTECTIVE RESEARCH—TECHNICAL SECURITY

Security enhancements to personally owned property of President Bush evolved during fiscal year 1989. The Service began implementation of the White House Access Control System, and initiated a number of programs which included advanced x-rays, armored vests, and latent fingerprint enhancements that technically enhance the protective and investigative capabilities of the Service. This fiscal year, the Service will continue to upgrade major technical security systems and provide permanent, aesthetic, crash-resistant bollards on the south side of the White House perimeter.

In order to provide the most up-to-date protective fleet possible, a progressive state-of-the-art armoring program for new limousines was developed. Work is progressing on the development of the next generation of armored vehicles. Additional funding is requested in fiscal year 1991 for this purpose.

INFORMATION RESOURCES

The Service provided successful voice privacy communication support for the Presidential Inauguration in fiscal year 1989. Installation of the Nationwide Communications Network was completed, and data center operations were moved to the new Security/Computer Center building at the James J. Rowley Training Center.

This fiscal year, we will provide communications support for planned and special protection events (Soviet visit, Economic Summit, etc.). In fiscal year 1991, the Nationwide Communications Network will be expanded to support foreign field offices. The Service must be on the cutting edge of this technology to maximize its benefits as they relate to our responsibilities and to remain ahead of our adversaries. Our fiscal year 1991 request includes additional funding to upgrade the performance and security of our communications network.

INTELLIGENCE DATA

During fiscal year 1989, the Service developed a computerized data base to analyze terrorist threat information. The Mental Health Liaison Project was expanded to effect improved communications between our field offices and the mental health community.

INVESTIGATIVE ACTIVITY

There were 237,112 case receipts and pending investigations last fiscal year in the areas of access device fraud, electronic fund transfer fraud, computer fraud, food coupon fraud, counterfeiting, and check and bond forgery. An estimate of cases to be received in fiscal year 1990 exceeds our fiscal year 1989 figure by 13 percent. These cases involve multiple financial transactions and suspects, encounters with sophisticated technology, and drugs.

FRAUD JURISDICTION

In fiscal year 1989, the Service suppressed an estimated $81 million in access device and computer fraud. We conducted 4,259 access device and computer fraud investigations, an increase of 33 percent over fiscal year 1988. The total number of arrests was 1,843. We continued to review and evaluate computer crime evidence gathered from our investigations. A Memorandum of Understanding on computer fraud and abuse was negotiated with the FBI and signed in September 1989.

The additional personnel resources requested for fiscal year 1991 would allow the Service to competently investigate six percent of the financial losses perpetrated on the public via access device and computer fraud. With these resources, a projected $171 million in fraud could be suppressed in fiscal year 1991 and provide the Government with estimated corporate income taxes of $46.5 million. These projections represent a 53 percent increase over fiscal year 1988.

In fiscal years 1990 and 1991, the Service will continue to assist the various industries victimized by fraud schemes within our criminal jurisdictions.

COUNTERFEITING

Of the known $89.1 million in counterfeit notes and coins produced domestically in fiscal year 1989, $75.2 million was confiscated before it could be passed on the public. Seizure of U.S. counterfeit currency produced overseas totaled $103.6 million, an increase of 252 percent over fiscal year 1988. This confirms that our two additional overseas offices are a cost-effective deterrent to the foreign counterfeiting of U.S. currency.

Federal Reserve Banks and commercial banks are required by statute to forward all counterfeit currency to the Secret Service, which is subsequently counted by our field offices. In fiscal year 1989, our field offices counted a total of $13.9 million in counterfeit notes that were passed on the public. A total of 119 counterfeit plants were suppressed, and 1,809 arrests were made.

Last fiscal year, we continued to develop additional liaison with foreign national police to suppress foreign counterfeiting of U.S. currency.

FORGERY

The financial impact of closed check and bond forgery cases in fiscal year 1989 was $42 million. Check forgery cases involving a total of 62,216 forged U.S. Treasury checks, were received for investigation. Cases involving 68,185 forged checks were closed, resulting in 2,847 arrests. Bond forgery cases involving a total of 3,292 forged bonds, were received for investigation. Cases involving 2,900 forged bonds were closed, resulting in 25 arrests.

OTHER INVESTIGATIVE ACTIVITY

We are increasingly seeing ties between our traditional jurisdictions and drugs. The Service is in the process of establishing a Financial Crimes and Drug Money Laundering Unit within its Office of Investigations. This unit will focus on money laundering activity that is derivative of any violation that the Secret Service is charged with investigating.

These violations could result from bank fraud, crimes against banks, or attacks on the integrity of the nation's monetary instruments such as using counterfeit dollars to buy narcotics or selling narcotics for counterfeit dollars to use for another purpose.

In support of the National Drug Strategy, the Secret Service has taken an active role in the developmental stages of the Financial Crimes Enforcement Network (FinCEN). This multi-agency intelligence resource will assist in the analysis and targeting of money launderers and other criminals engaging in illegal financial activities. Special agent personnel and equipment have been committed in fiscal year 1990 to this anti-drug initiative, on a non-reimbursable basis from existing manpower and resources.

The Secret Service, consistent with its investigative responsibility in regard to the Federal Deposit Insurance Corporation (FDIC) is presently evaluating its potential role in helping maintain the integrity of the Resolution Trust Corporation (RTC) by investigating potential fraud against the RTC.

The investigation of financially-oriented criminal enterprises through task force participation is a high priority with the Secret Service. To date, more than twenty-seven field offices are involved in task force operations, focusing on organized crime, bank fraud, drug trafficking and fraud relating to false identification documents.

The Secret Service has also become a leader in the development of sophisticated forensic capabilities. One such effort will result in the development of a computerized handwriting analysis system. The purpose of this system is to determine the authors of threat letters directed at our protectees by comparing these letters against those already in the system.

We have also upgraded our automated fingerprint identification system and utilized our newly acquired International Ink Library to provide technical assistance to other law enforcement agencies. Recently, our fingerprint system was used to identify a threat against a protectee by searching case data already in the system. As a result of being involved in other crimes in another area of the country, it was possible to effect an identification of the individual involved in the threat.

TRAINING

Development of the James J. Rowley Training Center, in accordance with the revised Master Plan is ongoing, and we expect the Center to be fully operational in 1991. The Center will be a state-of-the art facility to provide training for our ever changing world of protection. Funds appropriated by Congress in fiscal year 1989 are being applied to the remaining phases of development. The fiscal year 1991 request includes additional funding needed for the maintenance program at the training center.

Since 1972, the Uniformed Forces and Firearms Training Division of the Secret Service has conducted specialized firearms training at Fort Meade, Maryland. The primary users of this range provide essential protection for the President, Vice President and other protectees of the Secret Service.

Last fiscal year, protective operations briefings were provided to approximately 1,300 State and local law enforcement officers relative to Secret Service protective procedures.

A new computer fraud course was implemented to enable us to better meet the demands of our burgeoning fraud jurisdictions. Also, 135 computer use courses were conducted.

Additionally, almost 500 employees participated in management development programs tailored to executives, managers, and supervisors. Further sensitivity training was conducted, as well as courses on preventing the transmission of communicable diseases such as AIDS during the performance of law enforcement duties. Drug awareness training, as part of the Special Agent Training Courses, was also developed.

The Uniformed Forces and Firearms Training Division provided specialized instruction during fiscal year 1989 in Canine and special protective support units, defensive measures/crowd control, firearms instruction, protective operations driving, and motorcycle use.

In fiscal year 1991, the planning and development of training for Secret Service and police support personnel for the 1992 Campaign will commence.

EQUAL EMPLOYMENT OPPORTUNITY

Much success has been achieved in the area of equal employment opportunity. Last year, more than 300 employees attended conferences on minority and female issues. In November, we will assist in hosting the Biennial Conference of the Organization of Women in Federal Law Enforcement.

Our expanded minority and female recruitment efforts have increased the presence of these groups in our Special Agent and Uniformed Division ranks. During fiscal year 1989, minorities and females represented 49.4 percent of Uniformed Division applicants and 46.4 percent of Special Agent applicants. Minority and female hires composed 22.2 percent of Uniformed Division hires and 45.5 percent of Special Agent hires.

The Service will continue its strong efforts in the area of minority and female hiring.

SUMMARY

Fiscal year 1989 was an overall success for the Secret Service in accomplishing its protective and investigative mandates. This success was due to the effort and expert performance by our personnel, as well as security personnel from other Federal law enforcement agencies, and State and local governments.

The future holds many challenges for the Secret Service. With the necessary resources, we can provide for the continued safety of our protectees, implement rapidly changing technology, confront a sophisticated criminal element and its drug implications, and fulfill our protective and investigative mandates which include major endeavors such as the recent Drug Summit in Colombia.

I would also like to say that I am always appreciative of this Committee's understanding and support of the Secret Service. Mr. Chairman, this concludes my statement. I will be pleased to answer any questions you or the other members of the Committee may have.

Biographical Sketch

H. TERRENCE SAMWAY

H. Terrence Samway was appointed Assistant Director of the Office of Protective Research on September 9, 1989. Prior to this assignment, Mr. Samway served as Deputy Assistant Director of the Office of Protective Operations/White House.

Terrence Samway was born in Bangor, Maine, on January 20, 1943. He received a bachelor of arts degree from Merrimack College in North Andover, Massachusetts in 1966. Three years later, he graduated with a Doctor of Laws degree from Suffolk University's Law School in Boston, Massachusetts.

Mr. Samway was appointed a Special Agent of the United States Secret Service at the Boston Field Office in 1971. As a special agent, Mr. Samway was assigned to the Office of Training, the Office of Chief Counsel, the Technical Security Division, and the Presidential Protective Division.

Terrence Samway was promoted to Assistant to the Special Agent in Charge of the Dignitary Protective Division in 1979. Two and one half years later, Mr. Samway was selected to serve as Special Agent in Charge of the Candidate Nominee Protective Division. In 1984, he was promoted to Deputy Assistant Director of the Office of Protective Research. Four years later, Mr. Samway accepted a position as Deputy Assistant Director of the Office of Protective Operations/White House Security where he remained until his current appointment.

OVERSEAS PRESIDENTIAL PROTECTION

Senator DeConcini. Thank you, Mr. Director.

I think the record is very clear as to my feelings, and I am sure that the ranking member feels the same way, having talked to him a number of times about the outstanding job that the Secret Service does.

Your outstanding security provisions for the President's visit to Colombia should be and are commended. Your staff are outstanding people.

Can you give me a little bit of explanation, Mr. Director, on such an operation—and it doesn't have to be specifically Colombia—but on such a foreign operation of that nature; what kind of cooperation did you seek; what kind of cooperation did you receive; and who actually controls and makes the command decisions as to the security?

Mr. SIMPSON. If I could start from the back to the front, sir. We are the ones who control the security provided for the President.

Senator DECONCINI. And that includes the military? Excuse me. Anything that you request?

Mr. SIMPSON. Yes; we could call on the military for any support that is necessary. The President made that abundantly clear on several occasions and that we were responsible for his security and those who were traveling with him, only in the sense that they were under the same umbrella. We didn't provide personal protection for anyone other than the President.

We got excellent cooperation from all the intelligence agencies in the United States—the FBI, CIA, NSA, DEA, ATF—everyone was just absolutely first rate, as far as their cooperation was concerned.

The Colombians were very cooperative. When you put together that type of cooperation, it seems as though you have much more confidence in your abilities to do the job properly.

We never doubted for a moment that we would be able to make the trip a successful one, and I think that, in many respects, the news media hyped it a little out of proportion.

Nevertheless, there were threats, and they were very serious threats. For instance, we had about 62 cases generated on that one visit. We had something in the vicinity of 74 interviews, which took place not only in this country but around the world. We conducted 23 polygraph examinations, including 10 here, 8 in Colombia, 1 in Haiti, and 1 in London.

There were approximately 1,000 staff-hours expended on these cases. That excludes previsit protective preparation which involves many, many types of things, and which was coordinated by the gentleman who is sitting at the end of the table, Mr. Shaddick.

Mr. Shaddick was in charge of the Presidential detail, and made many visits to Colombia to ensure that, in his professional opinion, the situation was well in hand. I would like to compliment Mr. Shaddick for the absolutely fantastic job he did.

He made a situation that could have been very volatile into one that was very acceptable to everyone. I think, in the final analysis, the President was very pleased that the operation went as smoothly as it did. And, it was a smooth operation thanks to people like Mr. Shaddick and those in other agencies who were so cooperative.

So it was an interesting trip.

Senator DECONCINI. Now, in such an endeavor, if you decide you need some military aircraft or transportation, is there a joint task force, or is there a working group you have access to, or do you make your request to the Secretary and they do it?

Mr. SIMPSON. Well, we usually go through the Military Office at the White House. We ask for whatever we need.

Senator **DECONCINI**. So actually, the White House asks for such things?

Mr. **SIMPSON**. The Military Office. We met on several occasions and came to a mutual decision as to what assets we needed from the military, and they supplied them.

For instance, we thought it would be advantageous to have a helicopter carrier off the coast, simply because we wanted to have the ability to move the helicopters back and forth if we needed them; but more importantly, we also needed a staging area where the people who were going to be involved in the advance preparations were not susceptible to kidnapping or any other type of heinous acts.

Again, the military was very cooperative.

Senator **DECONCINI**. Mr. Director, I am going to just yield to my fellow colleagues here for any opening statements they might have.

First, Senator Domenici, the ranking member.

Senator **DOMENICI**. I have no opening statement, Mr. Chairman. Thank you.

Senator **DECONCINI**. Senator Kerrey, do you have an opening statement?

Senator **KERREY**. The only thing I would say, Mr. Chairman, to the Director and for the record, is that I am aware that there is a benefit today for an agency to associate itself with the war on drugs—a very important effort, obviously. No one disputes that that is an important effort.

My hope is that in the appropriations process that this particular agency isn't punished as a consequence of a fairly specialized function that it has been tremendously successful in performing—that is, protecting the President, and protecting the Vice President, and carrying out the other specialized roles that it has.

So, just for the record, and for my colleagues on the committee, I hope that——

Senator **DOMENICI**. That's music to their ears.

Senator **DECONCINI**. Thank you, Senator, very much. Anything else?

Senator **KERREY**. No.

Senator **DECONCINI**. Senator D'Amato, do you have any opening statement you care to make?

Senator **D'AMATO**. No, Mr. Chairman; but I would ask that the following letter be included in the record.

[The letter follows:]

LETTER FROM ROBERT R. SNOW, ASSISTANT DIRECTOR, OFFICE OF GOVERNMENT LIAISON AND PUBLIC AFFAIRS

Hon. ALFONSE M. D'AMATO,
U.S. Senate,
Washington, DC.

DEAR SENATOR D'AMATO. In response to your recent request, the Secret Service is providing the following information.

The total Secret Service budget was $367,000,000 for Fiscal Year 1988 and $357,500,000 for Fiscal Year 1989. The post-sequester amount budgeted for FY 1990 is $366,100,000. The pending Budget Request for Fiscal Year 1991 is $397,640,000.

Although the Secret Service does not allocate its budget by geographic area, we can provide an estimate of resources that will be devoted to New York State based on past expenditures in the State. In New York State a total of $16,614,442 was expended in Fiscal Year 1988 and $16,356,429 in Fiscal Year 1989. Through January of this Fiscal Year $5,558,858 has been expended. Based on this figure, expenditures for Fiscal Year 1990 are estimated to be $16,676,574. A similar base level of expenditures is expected in Fiscal Year 1991, plus an additional $3,200,000 that the Service is requesting for renovation of the New York Field Office.

The enclosed chart depicts a breakout of Special Agents and support staff nationwide, as well as the staff for New York State. This data is given as FTE levels, actual positions, and actual on-board staffing levels.

The Service, through its mandated jurisdictions, does contribute to the national effort against drug abuse. However, it is difficult to measure this effort. The Service has started tracking the number of investigative cases that have something to do with drugs, and from this has put together some estimates concerning the resources that are being devoted to fighting the "drug war". We estimate that approximately five FTE's in New York State are drug-related.

The New York Field Office renovation project, as mentioned, will cost $3,200,000. These funds are needed to renovate more than 37,000 square feet of office space. This renovation is needed to improve poorly configured space, solve management control and security problems, and provide for much needed special facilities that do not currently exist. All this will be done without acquiring additional space.

If we can be of further assistance, please do not hesitate to contact us.

Sincerely,

ROBERT R. SNOW.

Enclosure.

SECRET SERVICE PERSONNEL

Nationwide	Fiscal year— 1988 actual	1989 actual	1990 estimate
Full-time equivalent positions:			
Special agents	1,902	1,916	1,946
Support staff	1,303	1,336	1,395
Authorized permanent positions:			
Special agents	1,974	2,001	2,079
Support staff	1,312	1,358	1,412

Allocated to New York State	Fiscal year— 1988	1989	1990	1991
Actual positions	221	221	211	211
Full-time equivalents	221	221	211	211
Actual on-board levels	216	207	210	211

PROTECTION OF FORMER PRESIDENTS

Senator DECONCINI. All right, thank you.

Mr. Director, what do you estimate the cost will be to the Service for fiscal year 1991 for protection of former Presidents and their families?

Mr. SIMPSON. It is between $17 and $18 million. We can get the exact figure for you, Senator. It has risen based upon an increased level of travel, in addition to the fact that we have a new former President. We can get those figures for you.

Senator DECONCINI. Did the Secret Service handle the trip to Japan for President Reagan?

Mr. SIMPSON. Yes, sir; we did.

Senator DECONCINI. All of the costs? Were any of those reimbursed by the Japanese or anybody else?

Mr. SIMPSON. No, sir; we don't have any provisions for reimbursement. However, a number of the detail agents were given free passage to and from Japan aboard the plane of former President Reagan. We can get those numbers for you.

Senator DECONCINI. Well, no, that's all right. Your 1990 costs were roughly $12.5 million, and now this is $17 or $18 million? That is a hefty jump. Is there some reason for this increase?

Mr. SIMPSON. I think that our 1990 costs will be more than that, sir.

Senator DECONCINI. Oh, OK. That is the projection we had—$12.541 million.

Mr. SIMPSON. We can get those for you, sir. I might have misstated. I thought I had the proper figures.

Senator DECONCINI. There was only a modest increase from the records we have from 1989 to 1990, and now it may increase to between $17 an 18 million. That is a $5 to $6 million increase, from the information we received from your office.

Mr. SIMPSON. I might have misstated that, Mr. Chairman. I thought I was pretty much on target.

Senator DECONCINI. You can provide them for the record, Mr. Director.

Mr. SIMPSON. My colleague just advised me that we are talking about our first full year of a former President, so we only had several months in the last year.

[The information follows:]

COST OF PROTECTION OF FORMER PRESIDENTS

The estimated cost of protection for former Presidents and their families for fiscal year 1990 is $16,640,000.

Mr. LEE. I think that basically for 1990 there was an increase of $4 to $5 million for President Reagan.

Senator DECONCINI. $4 to $5 million for President Reagan coming on line?

Mr. LEE. Well, associated with all of the costs.

Mr. SIMPSON. Some of the security costs are one-time expenditures and will not continue.

Senator DECONCINI. What protective services does former President Nixon still have?

Mr. SIMPSON. He doesn't have any, sir. He relinquished protection several years ago.

Senator DECONCINI. He doesn't have any at all?

Mr. SIMPSON. No, sir.

Senator DECONCINI. You don't provide him any logistical support, or——

Mr. SIMPSON. If there is any intelligence information we pass it on to his staff people immediately, and advise them accordingly.

Senator DECONCINI. Does he, or do you know, have any protective service?

Mr. SIMPSON. He has a gentleman who is a staff person and security.

Senator DECONCINI. And security. Only one that you know of?

Mr. SIMPSON. As far as I know. It could be more. I think that when they travel he obtains additional help along the way.

Senator DeConcini. I was just going to ask, when he travels to difficult places doesn't he ask for any assistance from the Service?

Mr. Simpson. No, sir; he has not up until this point.

Senator DeConcini. And how long has that been going on? Two years?

Mr. Simpson. It is about 4½ years now.

Senator DeConcini. Do you have any idea what that cost savings is?

Mr. Simpson. I can't give it to you off the top of my head.

Senator DeConcini. Could you make an estimate and supply it to us, please?

Mr. Simpson. Yes, sir.

[The information follows:]

Estimated Annual Savings of Former President Nixon Declining Protection

Former President Nixon dropped Secret Service protection in August of 1985. Annualizing reported costs for 10 months of protection in fiscal year 1985, and then adjusting for inflation by 2 percent for fiscal year 1986, 4 percent for fiscal year 1987, 4.7 percent for fiscal year 1988, 5.7 percent for fiscal year 1989 and 3.6 percent for 1990 results in an estimated current savings to the government of $1,915,000 per year.

COMMAND POST RENOVATIONS

Senator DeConcini. Thank you. I notice that you have requested $2.5 million toward renovation in your division command post at the Vice President's home. Is that only for that command post?

Mr. Simpson. Yes, sir.

Senator DeConcini. And is that the total cost?

Mr. Simpson. Yes, sir.

Senator DeConcini. Boy, that is a lot of money. What are you going to build there?

Mr. Simpson. Well, it is a 97-year-old building that has some historical value. It is kind of a three-step approach. If we tore it down, some of the equipment at the Observatory would be affected and that might cause some disruption of their daily routine.

The second thing is that we need permission from the Historical Society to demolish the building. Third, it gives us a vantage point that we would not have if we didn't have that particular building. We can control the whole area where the Vice President's residence is.

What has happened over a period of time is that the temporary permanent residence of the Vice President has—in fact I think the Navy has acknowledged that the Vice President is going to live there. Building 19 is coming to us by rights of proscription, if for no other reason.

What happened is that the joists were all eaten away from bug infestation.

Senator DeConcini. It is in bad shape now.

Mr. Simpson. It was in very bad shape. We had to shore it up so that we could use it as much as we do now. Consequently, when we had an independent architect assess the situation, the architect came up with a figure of $2.5 million to repair it.

FISCAL YEAR 1991 BUDGET

Senator DeConcini. Thank you. Mr. Director, your fiscal year 1991 budget assumes a net increase of $31.4 million and 95 positions. After considering the reductions of $9.1 million in fiscal year 1990 nonrecurring costs and absorption of $10.6 million, the effect is an increase of $51.1 million for programmatic enhancements and inflationary adjustments needed to maintain the current level.

While all of these programmatic enhancements may have merit, and in fact may be critical to your operations in fiscal 1991, in the tight budget year that we are going to have here, we are going to need to know which ones have a priority.

Have you, or can you, place any priority on these?

Mr. Simpson. We can give you a priority order, Mr. Chairman.

Senator DeConcini. I am not telling you we are not going to fund them all, but it would be helpful to know which ones you feel are more important rather than having us make that decision.

Mr. Simpson. We can provide that for the record, sir.

[The information follows:]

FISCAL YEAR 1991 PROGRAM ENHANCEMENTS IN PRIORITY ORDER

[Dollar amounts in thousands]

Enhancement	Positions	FTE's	Amount
Additional positions	95	95	$9,055
Technical Security Program			1,075
Technical Security Countermeasures Program			780
Permanent Protection Program (armored vehicles, renovation of Building 19 at the Naval Observatory, and paint booth)			3,675
New York Field Office renovation			3,200
Candidate/nominee protection—preparation for 1992 campaign			5,894
Replacement vehicles (investigative sedans)			1,000
ADP Program			875
Communications Program			700
Maintenance—Rowley Training Center			352

FISCAL YEAR 1991 ABSORPTIONS

Senator DeConcini. A 50-percent absorption of the 1991 pay raise for the Secret Service totals $3.2 million, and absorption of the increased costs of AUO totals $5.9 million.

Can you tell the committee which activities will be curtailed in fiscal year 1991 in order to pay for these increased costs?

Mr. Simpson. Right now, Senator, I am going to be very candid with you—we are hoping for some largess from this committee, and from the House committee. We are hoping that there will be funds in the NACLE bill that's pending.

There was an indication that the bill will be fully funded. Part of the bill indicates that the AUO should be included. If it were fully funded, obviously the AUO would be taken care of.

We are looking at a number of areas where there might be funds available. I think that you and all of your colleagues authored a letter to Secretary Brady, and I think, Secretary Bennett, indicated that some of the asset forfeiture funds might be available.

Senator DeConcini. Well, we were informed yesterday by Secretary Brady that some of the AUO, we don't know how much yet, would be offset by the special forfeiture fund, but I take it neither you nor your staff have had any discussions as to whether or not you would be included in that.

Mr. Simpson. No; we have not. At least not to my knowledge.

Senator DeConcini. Mr. Nummy, do you have any further information on that?

Mr. Nummy. We have had further conversations with our staff. We have asked them to put together a list of absorptions that would meet the criteria that the drug czar gave us.

Senator DeConcini. I see. What is that criteria, Mr. Nummy?

Mr. Nummy. Absorptions that impact drug-related activities, is basically what he has agreed to help us with.

Senator DeConcini. Now, you must have some of that. Can you give us a definitive——

Mr. Simpson. We have some, but in the past, Mr. Chairman, we had no direct jurisdiction related to the drug war. Peripherally, we get involved in it like everyone else.

Illustration: The second largest case of cocaine seizure in the United States was in Senator D'Amato's area, in New York. It came by virtue of a counterfeit case in which the two individuals that we arrested agreed to give information to the DEA and Customs.

The seizure was 1 billion dollars' worth of cocaine, and many arrests were made and intelligence information was garnered. We don't compute that as far as our involvement in the drug war, and I could go on about cases that we have had.

For instance, we have helped the New York State Police, who had a murder—four people were murdered outside of Syracuse. It turns out that the individuals who murdered the four people took a credit card from one of the individuals who was murdered and used it the next day. We found a fingerprint which we ran through our fingerprint files, and we came up with an identification that we gave to the New York State Police.

In fact, we went with them the next day. There were all kinds of marijuana plants growing in the area—in the house and outside. These are the types of things that we get involved in every day, and although we don't have any direct jurisdictional responsibility—we are trying to say that, yes, we have a lot of involvement in drugs, but we don't have any jurisdictional role.

Senator DeConcini. We did include the Secret Service in the letter that Senators Domenici, Hollings, Rudman, and I sent to Mr. Bennett, and we did include the Secret Service as part of the law enforcement agencies.

Mr. Simpson. If you want, sir, that trip down to Colombia.

Senator DeConcini. It seems to me that was pretty drug related.

Mr. Simpson. And we have an awful lot of information. I think if you were to ask my colleagues, who are responsible for some of the other agencies, you would find that we are a very cooperative agency as far as disseminating information.

Senator DeConcini. I have a number of other questions, but I am going to yield to the ranking member. One area, Mr. Director, I have talked to the staff about it, and we might want to do it in executive session, is the credit card computer fraud request increase of $8.4 million.

But I will yield to Senator Domenici.

FISCAL YEAR 1991 ABSORPTIONS

Senator DOMENICI. Thank you, Mr. Chairman.

Let me first, for the record, since I didn't do this yesterday, say something about the notion of using some of the special forfeiture fund money to make up for the shortfalls caused by administratively uncontrollable overtime cost requirements. Frankly, while I supported the use of the forfeiture fund for this purpose, I want to go on record saying that I am very reluctant to begin to apply forfeiture fund money to the ongoing operations of agencies.

Senator DECONCINI. I have that same reservation.

Senator DOMENICI. I believe that agencies should not rely on that, in a sense, for their bread and butter. I think that is an invitation to abuse.

I don't think we ought to find ourselves as a nation in the position where a number of our law enforcement people, right down to the operations in the field, are aware of the fact that the more they collect in forfeitures the more apt they are to get their pay increase. I think that is a very, very dangerous situation.

Let me say to you, Mr. Director, and to you, Secretary Nummy, I am not at all sanguine about this approach that we find in this budget this year, where an agency like this has got to find $10.6 million because of pay absorption and other things. They tell us in the budget they are going to do it, and then they come up here and tell us they are not going to have to find $10.6 million because they know we are friendly, good old guys, and we like them, and we are responsible, and we are going to find new money.

And to go to the grab bag, and assume that the forfeiture is going to take care of all this, in my opinion, is a very bad policy for the country.

Nonetheless, apparently Secretaries Brady and Bennett are going to attempt to make up for some of the most egregious problems with some of that forfeiture money.

Having said that, let me say to you, Mr. Director, you have answered the chairman about the $10.6 million that you have to find reductions for, you have indicated you hope you don't have to do it.

Mr. SIMPSON. Yes, sir.

Senator DOMENICI. I frankly believe that it is incumbent upon the executive branch to tell us how you would do it. You don't have to say right now but, if you don't mind, I would appreciate it if you would do that. The administration has given us a budget, and they are all my friends—I mean, I try to help them all—but frankly, I don't think you ought to have an executive budget that gets by that easy.

So I think you ought to send up to this committee how you would accomplish that $10.6 million in reductions, as stated in the President's budget. Frankly, I think it will help you, so you ought to do it. If we are going to find the money, as you hope we will, I think we ought to know what you have to go through to accomplish what the President's budget said you were going to do.

So, Mr. Chairman, I am asking that he give us what he would have to do to assimilate the $10.6 million reduction proposed. He thinks we are going to find the money for him, because we are concerned.

I am saying the White House ought to be as concerned as we are, so we ought to know what you have to cut. That will help us, and it will also, perhaps, in the future——

FISCAL YEAR 1991 ABSORPTIONS

Senator DeConcini. Well, if the Senator would yield, let me just pose the question: How do we get the White House to tell us?

Senator Domenici. Well, I think this Director is going to tell us. He has it in his budget.

Mr. Simpson. I can tell you how we will have to do it. Senator, if I could introduce the words "I hope" instead of we would be funded by this committee, as opposed to making it an absolute declarative statement.

Senator Domenici. I understand.

Mr. Simpson. There are three areas that we have focused on before. We have not purchased cars for 2 years. We would have to defer all of our equipment purchases, and some of them are very sensitive. Some of the things that we need I would be glad to discuss with you in executive session.

One of the things that I would absolutely not want to do, and I have made this statement before the House, is the following.

I happened to have been born during the Depression. Anyone who was born during that time and saw people out in the street without jobs should remember some very unpleasant situations—situations that saw men who were viable human beings reduced to people who were less than what they could have been.

I don't want to be in charge of an agency that has to do that, sir.

Senator DeConcini. Well, would the Senator yield?

Senator Domenici. Sure.

Senator DeConcini. Is it safe to say, Mr. Director, that if we don't find that money, or the White House doesn't help find it through the forfeiture fund and we aren't able to fund it, you are going to be hurt substantially, and will have to reduce personnel, preventing you from performing your job?

Mr. Simpson. It might get down to that, Senator. Yes; it could very well get down to it.

Senator DeConcini. If you have to absorb that $10 million, and you don't get it some other place that you can reprogram or offset it, you are going to have to reduce some vital function?

Mr. Simpson. I would have to say, yes; and that would be a very unpleasant situation, Senator.

Senator Domenici. Well, Mr. Chairman, let me get back to this. Frankly, I think all of that is right, and the administration is not to blame for all of it. Part of it is our fault, in that we have caused the pay absorption to be taken by the agencies instead of appropriating funds for it.

The sequester, which was part of the cuts, is a combination of all of ours. I mean, we didn't meet the target, and neither did the administration.

Nonetheless, I don't think we ought to let the administration send up a budget that says this agency is going to find ways to locate $10.639 million, and then we end up without them telling us what the effect of that is.

So I think you ought to tell us the effect, and you have a lot of professionals doing your budget, and you ought to tell us. You know, assume we gave the President what he asked for—we put our nice rubber stamp on this, and we gave him what he asked for.

You would be $10.6 million short, and you would be asked to find it within your agency—$10 million short of what you currently plan. You might get to that point sometime. We may not get anything around here, and we may have a sequester.

We are entitled to know how you would go about it. And if it is onerous, it is onerous. We are hopeful you won't have to do it.

So, if the chairman agrees, we ought to let him tell us. Let them have an exercise, and find out how they are going to do it.

Senator DECONCINI. You don't have any problems with supplying us with that?

Mr. SIMPSON. We would be glad to try to do that.

Senator DECONCINI. That is a very good point.

[The information follows:]

FUNDING THE FISCAL YEAR 1991 BUDGET SHORTFALL

The Secret Service budget request for FY 1991 indicates that reductions will need to be made to fully fund the costs of (1) administratively uncontrollable overtime resulting from passage of P.L. 101-173, (2) the expected January 1991 pay raises, and (3) inflationary impacts. These costs total $10.5 million.

Several alternatives are under consideration to fund these costs. initially, we will be reducing our current level of effort placed on the development of the Service's work force. Specifically, the Service's career development, management, and OJT training programs would be eliminated. Additionally, career development employment relations would be discontinued.

If appropriations are at the levels requested, options include modifying a number of the proposed initiatives.

For example:

(1) Postponing the planned upgrade of the Service's mainframe computer and deferring enhancements to the Property Accounting System.

(2) Deferring renovation of the New York Field Office, although higher costs would be anticipated to complete the same work in the future.

(3) Purchasing only a portion of the investigative sedans needing replacement.

(4) Cutting back on the number of new positions proposed to conduct investigations in the area of credit card and computer fraud.

If these options are unavailable, alternatives with more serious impacts, such as base staffing reductions, would be considered. A hiring freeze would be expected to reduce staff size by up to 200 permanent positions (100 FTE's) and affect all employee categories.

In all likelihood, a combination of the actions described above would be undertaken to fund the $10.5 million required in the budget.

In making these reductions, the Service will seek to minimize the impact on its protective programs.

TRAVEL BUDGET

Senator DOMENICI. For reasons I completely agree with, the travel schedule of this President is greatly increased over other Presidents. The changing world and all kinds of other things are reasons for that.

Do you have an increase in this budget for that kind of a significant increase in Presidential travel?

Mr. SIMPSON. Yes; we do.

Senator DOMENICI. It is more than 50 percent, I understand, the increased travel.

Mr. SIMPSON. Yes; it is more than a 50-percent increase for travel. We can get you the computations. That is something we would prefer to discuss with you in executive session.

Senator DOMENICI. I would like to do that some time. I am not quibbling about it.

Mr. SIMPSON. No; I understand.

Senator DOMENICI. I just want to make sure that if we are tight, we don't want to be tight on that one. I mean, that is one of your principal missions.

Mr. SIMPSON. It is not only the President, sir. There is an increase in the number of foreign dignitaries that are coming to the United States.

Senator DOMENICI. Good point.

Mr. SIMPSON. And much more so than we have seen in the last several years. As I mentioned in our statement, the visits have risen to an average of 5.5 days per visit, whereas they averaged 3.9 to 4 days per visit in the past.

They are visiting more often, and they are also staying longer. Obviously, that costs a lot of money.

Senator DOMENICI. I was just thinking, how would you like to be in charge of one of those Eastern European countries, and with their Secret Service; we have so many dignitaries going there.

Mr. SIMPSON. It is not us, sir.

CANDIDATE NOMINEE

Senator DOMENICI. It is not you, I understand.

My last question is, the $5.9 million, roughly, to fund startup costs related to the 1992 Presidential election.

Mr. SIMPSON. Yes, sir.

Senator DOMENICI. How does this compare with first year startups in the past?

Mr. SIMPSON. It is a little more than what it was in the past. Obviously, things have gone up considerably. I know I am not telling you any secret that you don't know. We are trying to budget accordingly and to ensure that we have the proper funds. This budget cycle is about 2 years ahead, and most of what we are requesting is for equipment and training and those things that we need now to prepare for the 1992 election. So, yes, there is an increase.

RECRUITMENT AND RETENTION

Senator DOMENICI. In terms of personnel, Mr. Director, we are finding in most agencies like yours—IRS, Customs, and others, particularly IRS at this point—they are having difficulty getting qualified people to apply for the vacancies and jobs. They seem to some of us, the States we come from, as very good jobs, but for other parts of the country, obviously, these kind of service jobs are not as attractive as they used to be.

Are you having any trouble getting qualified men and women to fill the positions?

Mr. Simpson. We are beginning to see that particular phenomenon. The chairman has introduced a bill, and I believe that you might be a cosigner, as a matter of fact, on the NACLE Commission Report. This report indicates that we are all having recruitment and retention problems, depending upon geographic location. We are, in fact, seeing the diminution of some of—we used to have absolutely no problem whatsoever.

I mean, we would have more people applying than we could ever hope to hire, but we really have to go out and hustle. The other thing is that we want desperately to hire minorities. In order to recruit minorities, we have to be competitive with the private sector, and State and local governments, believe it or not.

We are being out-priced by State and local governments. There are some geographic areas, for instance, the west coast, an agent's starting salary is around $20,200 a year. We would tell an individual that you are going to be transferred five or six times in your career, assuming that we obtain money for transfer. The west coast police department would try to recruit the same individuals starting at $34,000 a year, and the only place those individuals go is across town.

I don't think it takes a brain surgeon to figure out which one they are going to select.

Senator Domenici. Thank you very much.

Senator DeConcini. What is the increase or leveling point on minorities? Have you done any——

Mr. Simpson. Yes; we can get that for you.

Senator DeConcini. Would you show us that, please?

Mr. Simpson. Yes, sir, absolutely.

[The information follows:]

MINORITY STATISTICS

The following charts indicate the numbers of female and minority employees at the Service as of September 30, 1988, and March 31, 1990.

SEPTEMBER 30, 1988

	Special agent	UD officers	Other	Total
Male:				
White	1,652	750	449	2,851
Black	82	177	104	363
Hispanic	73	17	18	108
Asian/Pacific Islander	13		12	25
American Indian	3		1	4
Total	1,823	944	584	3,351
Female:				
White	76	39	456	571
Black	3	23	234	260
Hispanic	3	1	36	40
Asian/Pacific Islander			15	15
American Indian			1	1
Total	82	63	742	887

MARCH 31, 1990

	Special agent	UD officers	Other	Total
Male:				
White	1,639	819	450	2,908
Black	100	192	105	397
Hispanic	77	24	19	120
Asian/Pacific Islander	18	2	17	37
American Indian	6		2	8
Total	1,840	1,037	593	3,470
Female:				
White	87	42	456	585
Black	12	32	287	331
Hispanic	3	1	36	40
Asian/Pacific Islander			16	16
American Indian	1		2	3
Total	103	75	797	975

INCREASED RECRUITING OF MINORITIES

Senator **DeConcini**. Is it increasing?

Mr. **Simpson**. Yes; we are actively recruiting. We are doing every single thing that we can possibly do, and we are trying every innovative recruiting method that we can. This includes magazine ads to recruit minorities.

We are also asking the minorities themselves to please help as best they can. We are doing much better, but we want to do even better than we are doing now.

BUDGET SHORTFALL

Senator **DeConcini**. The Senator from New York.

Senator **D'Amato**. Thank you, Mr. Chairman.

I don't mean to exacerbate the situation, as both the chairman and ranking member have touched on the problems you have with fiscal 1991, but my people tell me that you have a shortfall since fiscal year 1990 of $26.8 million.

Well, in line with what Senator Domenici has asked you, what are you doing, what are your plans as it relates to it? Do you have that in a manageable state? Do you have a program to deal with that shortfall of $26.8 million?

Mr. **Simpson**. Well, some of it has been absorbed over a period of time, such as anticipated pay raises and increases in employee benefits of various kinds. We have absorbed those and the pay raises in the past, as you well know.

Add all those things up over a period of time, and they total about $27 million.

Senator **D'Amato**. That is for this year. No? Someone is shaking his head no.

Mr. **Lee**. Basically, it is $16 million this year, and another $11 million next year; coming into fiscal year 1991, we will be riding a crest of approximately $27 million.

Mr. SIMPSON. It is incremental, Senator. It comes over a period of time, and it finally adds up to that $27 million in 1991.

Senator D'AMATO. So in 1991 you are going to have this huge shortfall?

Mr. SIMPSON. That is correct.

Senator D'AMATO. But you are accumulating it now, right?

Mr. SIMPSON. We have been accumulating it, sir.

Senator D'AMATO. So if I ask you what your shortfall is now, what do you say?

Mr. SIMPSON. In 1990?

Senator D'AMATO. Yes.

Mr. LEE. $16 million today. We have had to reduce by 50 percent the transfers we make; we have had to curtail sharply the radio voice privacy program; we have eliminated purchasing replacement vehicles. We have done everything we can do short of RIF'ing people. As the Director mentioned, one of the problems we have is that as the 1992 campaign year starts we will need the people.

The deficit funding for fiscal year 1990 represents approximately 350 positions. So if we balance the——

Senator D'AMATO. I don't mean to extend this, but I am beginning to have—and maybe it is because I don't have the expertise, nor do many, that Senator Domenici brings as it relates to budgeting—but if you are telling me that at the end of this fiscal year 1990—you are going to have about a $16 to $18 million shortfall—is that right?

Mr. SIMPSON. That's correct, Senator.

Senator D'AMATO. And here we are now, it is March. What happens in August?

Mr. SIMPSON. We tighten every screw that we can, Senator, and every month we have an accounting of where we are and what we have to do. We hope that by tightening those screws, that by August, we will still be within the budgetary framework.

Senator D'AMATO. But if you have a $16 million shortfall—I mean, what happens in September?

Mr. SIMPSON. Again, we are running it—as a matter of fact, when we——

Senator D'AMATO. Well, when you get to the end of the year—let me ask you something—will you have absorbed this shortfall?

Mr. LEE. Basically, yes.

Mr. SIMPSON. Yes, Senator.

Senator D'AMATO. You think you will?

Mr. LEE. Yes.

Senator D'AMATO. You hope you are going to be able to?

Mr. SIMPSON. Hopefully.

Mr. LEE. Through cutbacks we are basically soaking up the red ink.

Senator D'AMATO. You are?

Mr. SIMPSON. Yes.

Mr. LEE. Yes; so the problem is continuing to do this year after year. We have a situation where a large percentage of our vehicle fleet has mileage in excess of 75,000 miles.

BUDGET SHORTFALL

Senator D'AMATO. So you are really doing everything short of RIF'ing people?

Mr. LEE. That is correct.

Mr. SIMPSON. And as I mentioned to the Senator, that would be the last thing I would want to do. I mean that in all sincerity. That would be something that would be so unpalatable. As far as I'm concerned, we need every person we have.

We have not asked for any kind of real increase in our agent personnel in years.

Senator D'AMATO. Well, you have gone down a couple of people, too.

Mr. SIMPSON. Yes, sir; a few years ago, when Gramm-Rudman was effected, we decided that one of the areas where we could probably save some money was personnel. So, instead of hiring two, we hired one for every two openings. Later on when OMB took a good hard look at our FTE's, they cut us back even though we had taken steps to save money.

Senator D'AMATO. So when you end this year, you are going to be down to where you have squeezed this thing so that there is absolutely——

Mr. SIMPSON. There is nothing left.

Senator D'AMATO. Little juice left in the plant, right?

Mr. LEE. Right.

Mr. SIMPSON. There is so little it is——

Senator D'AMATO. You have a dead plant on your hands.

Mr. SIMPSON. Pretty much.

Senator D'AMATO. And then you go into the next year, as the chairman and ranking member have mentioned.

What do you do with this, Mr. Nummy? I don't want to give you a tough time, really.

Mr. NUMMY. Well, I think you need to realize, sir, this is not unique with the Secret Service—every bureau of Treasury and every agency in the Government is dealing with it, and what we are dealing with are, as the ranking member pointed out, decisions made jointly by the administration and the Congress to absorb the sequester, and to absorb the pay raise for this year.

So we work with it. The problems are real, they are across Government—every bureau deals with the same problems the Secret Service has had.

Senator D'AMATO. It seems to me that there are certain areas, as it relates to Government, and their duties and responsibilities, where we have to set a total priority, now.

If I were to say to you, in areas in personnel, for example, in the Agriculture Department, and the Education Department, Department of Housing and Urban Development, and the Commerce Department, et cetera, that you cannot apply the same—well, maybe I shouldn't be talking about this.

If you are going to apply that same standard across the board, well then, there is no selectivity. Gramm-Rudman comes and does that, but as it relates to a policy of providing funds, we need a little more—not evenhandedness, but rather recognition that certain areas absolutely have to be funded, if you are going to meet minimal responsibilities.

Senator DeConcini. Would the Senator yield?

Senator D'Amato. Sure.

Senator DeConcini. Would the Senator agree that really the problem, at least as this Senator sees it, is that Treasury, and particularly OMB, have got to be the driving force. Not to excuse these agencies, but they have to either ask us or, if we don't give it to them, take the cut.

But unless OMB and the Secretary of the Treasury are willing to go to the mat to find an initiative to fund these things, we have a dilemma, as I see it. We spoke with Secretary Brady—he is not willing to go to the mat any more than, perhaps, this special forfeiture fund.

We will have Mr. Darman here, and I doubt whether he is going to say, yes, I have something here on how to fund these things. I think we are heading for a collision course, and it could be very detrimental.

Senator D'Amato. Well, it is going to be just cutting a lot of good people, who certainly have essential duties—essential—life and death.

BUDGET SHORTFALL

Mr. Lee. If I could speak up a second. It is a heresy, basically upon the NACLE Commission. One of the recognitions was that these initiatives needed funding, and the AUO bill that was passed last year was basically a wooden stick in our heart.

We have a requirement coming up the first of the fiscal year that we must absorb. We recognize that our employees should be paid, but we have to absorb it again, and that is the problem we have, over and over again.

Mr. Simpson. You are absorbing it with anything you have in the way of flexibility, so that finally you just don't have any more flexibility. I don't know what the answer is; and I wouldn't profess to have it.

Senator D'Amato. Well, certainly I think, notwithstanding Senator Domenici's admonition and his concern—his real legitimate concern—as to the use of forfeiture funds, if you get down to the point where you are not going to be able to do your job, and you are going to be laying off, or curtailing activities, it should be undertaken, and demanded.

It would seem to me the lesser of two evils, but that is a heck of a position to be placed in, and I think Senator Domenici does touch upon a very real and cogent point, that this could be a very dangerous kind of precedent, to have administrations—and not just your department, but other departments too—absolutely dependent upon the amount of the forfeiture funds so that they can continue a basic operation.

That is a hell of a way to run a government. I am not unsympathetic, and anything we can do——

Mr. Simpson. Thank you, sir.

Senator D'Amato. Mr. Chairman?

BUDGET SHORTFALL

Senator DECONCINI. Well, just to follow up, it seems to me that if we don't find the solution, Senator D'Amato, that the renovation in New York at $3.2 million, and the headquarters renovation, and the Vice President's renovation, have to be at least candidates for reductions, do they not?

Mr. SIMPSON. Yes, sir; every one of them. That is one of the options.

Senator DECONCINI. For curtailment.

Mr. SIMPSON. That is one of the options.

Senator DECONCINI. You know your justification for the New York renovation convinces me that it is long overdue, and you explained the renovation of the command post at the Vice President's residence, and it sounds reasonable and necessary, and I know how strongly you feel about the headquarters. We discussed that last year.

Mr. SIMPSON. Yes.

HEADQUARTERS CONSOLIDATION

Senator DECONCINI. So I don't have an answer, either.

Let me just ask one further question. We provided $5.3 million for the costs associated with the consolidation activities of your headquarters.

What is the status of your consolidation plans, and when do you anticipate the National Science Foundation will be relocated to another location?

Mr. SIMPSON. We can get the answers to all of those to you for the record, sir, if that will suffice?

[The information follows:]

HEADQUARTERS CONSOLIDATION

A comprehensive consolidation "Master Plan" for the Secret Service has been prepared by Peck/Peck and Associates (in conjunction with the General Services Administration). We are actively working with the General Services Administration in an effort to implement this plan.

Toward that end, we are now in the initial stages of preparing a Solicitation for Offers [SFO] which will include detailed specifications for our consolidated site. The SFO will be used to obtain bids from potential lessors. It will be prepared by an architectural/engineering firm currently on contract with the General Services Administration. Current scheduling calls for the SFO to be completed late this summer. Once prepared, the SFO will be presented to potential lessors for preparation of proposals.

Concurrent with the development of the SFO, we are working with the General Services Administration in the development of the Prospectus for the consolidated site. Current scheduling calls for the Prospectus preparation process to be complete this spring.

Our understanding is that the National Science Foundation is scheduled to begin their move from 1800 G Street in the summer of 1992. Current scheduling calls for them to have fully vacated by the end of September 1992.

CONSOLIDATION STARTED IN FISCAL YEAR 1990

Senator DECONCINI. All right, that will be fine. I will add this one: Will any of your consolidation take place this fiscal year?

Mr. SIMPSON. Well, some of the consolidation has already taken place.

Senator DECONCINI. It has?

Mr. SIMPSON. On the 10th floor.

Senator DECONCINI. OK.

Mr. SIMPSON. We have taken that over, and some of the funds——

Senator DECONCINI. Has any of the $5.3 million been obligated so far this fiscal year?

Mr. SIMPSON. The total will be obligated by the end of this year.

Senator DECONCINI. Has any of it so far this fiscal year?

Mr. SIMPSON. No.

SUBMITTED QUESTIONS

Senator DECONCINI. OK, Mr. Director, I believe we will submit some other questions to you, and we thank you for your testimony this morning.

Mr. SIMPSON. Thank you, Mr. Chairman, very much.

Senator DECONCINI. Thank you, gentlemen, for being with us.

And Mr. Shaddick, I want to compliment you, too, for a fine job. It seemed to be a very successful operation in getting the President delivered to Colombia and back along with everyone else who was there. My compliments to you.

Mr. SHADDICK. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

Candidate Protection Program

Senator DeConcini: In FY 1991, you are requesting $5.894 million in vehicles, equipment, training and overtime costs for 1,400 Secret Service personnel and 1,600 Treasury personnel for the protection of presidential nominees and their spouses in the upcoming 1992 Presidential election campaign.

How does this total amount compare to the costs in Fiscal Year 1987 for the 1988 Presidential Campaign?

Mr. Simpson: In FY 1987, the Service spent $5,652,000 preparing for the 1988 Campaign.

Senator DeConcini: Where will the 1,400 Secret Service employees be taken from?

Where will the 1,600 Treasury agents be taken from?

Mr. Simpson: As in past campaigns, Secret Service agents assigned to the Service's investigative functions in the field offices will be temporarily detailed on a rotational basis to candidate details. In addition, the Service will borrow Treasury Agents from the Bureau of Alcohol Tobacco and Firearms, the Customs Service and the Internal Revenue Service to assist with candidate protection.

Senator DeConcini: The $5.894 million includes costs of $4.509 million for communications equipment and $252,000 for the purchase of security related supplies and equipment. What happened to the equipment purchased for the 1988 Presidential Campaign and why are these additional equipment purchase costs necessary?

Mr. Simpson: At the conclusion of a Presidential Campaign, equipment that was purchased, and still in useful condition, is distributed to field offices and protective divisions. This has proven to be more cost effective than storing the equipment.

Permanent Protection Program

Senator DeConcini: In Fiscal Year 1991 you are requesting an increase of $3.675 million for the permanent protection program. Of this amount, the largest increase ($2.5 million) is proposed to be used for the renovation of the Protective Division's Command Post at the Vice-President's home. You state that these funds are needed to correct health and safety hazards at the current command post. Is the $2.5 million the total cost needed for upgrades to the Vice Presidential Command Post or are other future costs anticipated?

Mr. Simpson: The requested $2.5 million is to fully renovate the Vice Presidential Division's Command Post (Building 19 at the Naval Observatory). No future expenses are anticipated.

Senator DeConcini: Will additional Secret Service personnel be assigned to the renovated command post and if so, how many additional personnel are anticipated and when?

Mr. Simpson: No additional personnel will be assigned.

Senator DeConcini: How long will this project take to complete?

Mr. Simpson: If funding is made available in FY 1991, the project should be complete by the end of FY 1993.

Senator DeConcini: Will there be any increased protection benefits as a result of this project? If so, please explain.

Mr. Simpson: The renovation to the building will not provide additional security to the Complex.

Other options were considered aside from renovating this structure. The Service considered moving to another area of the Naval Observatory, or building a new structure at the current site. However, if the Service were to relocate to another building, the protective advantage of the current location would be lost. Building 19 currently overlooks the entrance and grounds of the Vice President's residence. This makes the site of the current command post an ideal location. This location affords the Service proximity and allows for direct and timely response to the grounds and/or residence during any emergency. The expense of rebuilding would be too great.

New York Field Office Renovation Project

Senator DeConcini: In Fiscal Year 1991, you are requesting an additional $3.2 million for the renovation of your New York Field Office which you describe as affecting the morale of your employees there.

Your justification states that GSA reviewed the office and identified it as a candidate for the quality workplace environment program. Don't your RENT payments to the Federal Buildings Fund cover the costs of this type of renovation and if so, why is the Secret Service requesting separate funding for this project instead of going through the normal GSA funding channels?

Mr. Simpson: No, RENT payments to the Federal Buildings Fund will not cover this renovation project. GSA evaluated the conditions in the New York Field Office at our request. They identified significant problems and agreed that the space was in immediate need of redesign and renovations.

GSA has scheduled repairs to the building occupied by the New York Field Office, including installation of sprinklers, new lighting and ceiling repairs. They have also participated with us in a review of utilization and assignment of space within our New York Field Office. They agree that the space needs to be realigned to promote effective utilization and to provide for needed special use areas. GSA agreed to delay part of their repair project to coincide with alterations to our space so that our operations would not be disrupted more than once. Due to contractual considerations GSA must complete the repair job in FY 1991. Since GSA funds are not available for these renovations, which must commence in FY 1991, the Service is requesting $3.2 million for them to remain available until expended. These funds will enable the renovations and GSA's repair job to be accomplished simultaneously, thereby preventing multiple office disruptions and additional construction costs.

The funding of this project was discussed with GSA. GSA does not currently have the necessary funding for this project. After considering the need for providing the necessary funding quickly, the conflicting needs for resources within GSA and the Service, and the high priority placed on this by the Service, it was decided that the most expedient method for obtaining the funding was through a Secret Service request.

Senator DeConcini: In conversations the subcommittee has had with GSA, it appears that $1.6 million, or 50% of the $3.2 million, is for specialized space requirements which should be borne by the Service. The remaining $1.6 million is for overall renovation costs, typically GSA-funded.

If $1.6 million for this project were to be funded through the GSA for the standard renovation, would the Secret Service have any objections? If so, please explain those objections.

Mr. Simpson: GSA has been very cooperative throughout this review and concurs with our reasons for getting the entire project started quickly. GSA does not currently have the necessary funding, and, to avoid delay, the U. S. Secret Service proceeded to request the funds in 1991.

Assuming that the project can be kept on schedule, with work to begin in FY 1991, we have no objection to obtaining half the funding through GSA.

Credit Card/Computer Fraud Investigations

Senator DeConcini: Your budget justification states that you are requesting an additional $8.424 million and 78 Special Agent positions to increase the investigations into credit card and computer fraud. How many agents are presently assigned to these types of investigations and how will the additional positions increase your investigative workload in the credit card and computer fraud areas?

Mr. Simpson: With the exception of our "large" field offices, the Secret Service does not assign agents to work exclusively on fraud investigations. Agents are assigned to work a multitude of types of investigations.

Additionally, agents in our field offices are subject to working periodic protection assignments to supplement the permanent protection details and protection details for visiting Heads of State.

However, for FY 1988, Special Agents worked 278,544 hours, or approximately 133 full-time equivalent (FTE) positions, on access device investigations. The additional 78 positions would put the Service's total impact on credit card and computer fraud at approximately 6%.

Senator DeConcini: You state in your justification that these additional 78 Agents will allow the Service to investigate six percent of the financial losses from access device and computer fraud.

How was this figure calculated and what percent of all losses are investigated by other enforcement entities?

Mr. Simpson: In FY 1988, the Service impacted on 5.16% of the total access device and computer fraud reported. With the addition of 78 agents, total impact would be approximately 6%. The 6% figure is calculated by measuring the productivity level of agent staff-hours devoted to fraud in FY 1988. By applying this productivity level to the fraud staff-hours anticipated in FY 1991, we arrive at a dollar value of fraud impacted and the associated 6% figure in FY 1991. This is based on the assumption that efficiency and production will remain constant.

We do not know what percent of all losses are investigated by other enforcement entities. However, most state and local law enforcement agencies dedicate manpower to conduct access device and computer fraud investigations.

We can report on the impact of the FBI. Their role to date has been minimal. To illustrate this, the Third Annual Report to Congress by the U.S. Department of Justice, indicates the Federal Bureau of Investigation (in FY 1987) opened 71 cases for investigation involving Title 18, U.S. Code, Section 1029. This compared to four investigations in FY 1986 and five in FY 1985. The Secret Service opened 1,881 investigations in FY 1985, 3,917 in FY 1986, and 4,316 in FY 1987.

Senator DeConcini: Do you have any information about what the industry itself is doing to eliminate these fraudulent practices?

Mr. Simpson: The industries affected by access device and computer fraud have done many things to prevent fraud losses. Credit Card companies have worked hard to control fraud losses. For example, the three largest credit card companies each spend $8-10 million per year for security. These figures do not include the approximately 40,000 banks, which also spend considerable funds for security. Since they are businesses, each company makes every effort to prevent fraud, as it directly affects their profitability. However, each credit card company is in competition for a share of the market. The companies have eliminated fraud losses to the extent possible but must remain accessible to their customers, which entails a certain amount of vulnerability.

The list of all of the things that the credit card industry has done to prevent fraud includes, but is not limited to, incorporating new card security features to deter counterfeiting; tightening controls on the manufacture of genuine cards; establishing rewards for the recovery of lost or stolen cards; educating merchants on fraud problems; producing a manual to guide banking officials in the development of fraud prevention programs; conducting fraud seminars around the country for banking associations; and researching, testing, and implementing new security features in and on the cards.

To prevent the counterfeiting of credit cards, the industry has made extensive security modifications to card design, including magnetically encoded stripes, fine-line and micro-printing, unique embossed characters and the incorporation of holograms. Many are now evaluating the so-called "smart cards" which have computer chips embedded in them.

Point-of-Sale terminals have been introduced to authenticate cards at retail stores. Also, carbonless sales slips have been developed to prevent the fraudulent use of credit card numbers acquired from discarded sales draft carbons. Twenty-four hour law enforcement telephone hot-lines have been established to answer inquiries by police agencies.

The industry continues to assist in the training of federal, state and local investigators. In short, they have been tireless in their efforts to safeguard the credit card system because it is in their interest to do so.

Recently, as systematic attacks have been made on credit card companies in the form of fraudulent applications from organized groups such as the Nigerian Crime Network (NCN), the credit card companies have undertaken to improve their screening of card applicants through various means. These include establishing the Issuers' Clearinghouse Service, a databank containing information on previously submitted applications, which includes Social Security numbers, addresses, phone numbers, and other pertinent information. The industry even uses handwriting analysis in their efforts to detect fraudulent applications.

Along with more thorough background checks of merchants applying for accounts, the industry developed programs such as VISA's Risk Identification Service (RIS) to identify and report merchants with high levels of activity on lost and stolen accounts. To date, RIS has identified and reported over 6,000 potential fraudulent merchants to VISA association members for investigation. Merchants identified by RIS as high-risk must seek authorization for every purchase and many have been furnished with anti-fraud terminals which verify the authenticity of cards.

In assisting the government in these investigations, the credit card industry has done its part by preparing records, obtaining statements from cardholders, and providing assistance and information. They have provided data and statistics to help the Secret Service determine trends and have made available undercover accounts for investigations.

Undercover credit card accounts, though only used occasionally, are sometimes essential to further an investigation. The Secret Service does not accept any industry funds and therefore reimburses the credit card industry for any authorized charges on these accounts. The credit cards for these accounts may, for example, be given to a fraudulent merchant suspected of accepting credit cards known to be stolen or counterfeited. These merchants complete fraudulent sales drafts for false sales of goods, deposit the sales drafts and split the money received with the provider of the credit card.

Additionally, the credit card industry provides funds to state and local police agencies to assist them in conducting investigations requiring a large amount of "flash" money. Flash money is genuine currency. Law enforcement agencies, working in undercover capacities, occasionally must be able to show criminals a large amount of money to prove they have the funds available to make a large purchase of stolen or counterfeit credit cards. The credit card industry also assists state and local police agencies with funds to assist with "sting" and other credit card related investigations.

Another industry which has been targeted by criminals is the telecommunications industry. The long-distance telephone codes of each company are considered "access devices" as defined in 18 USC 1029. This industry originally issued six digit long-distance telephone codes to their customers. When computer "hackers" learned how to steal the codes from companies' computers, the telecommunications companies acted to prevent this fraud. The companies reissued codes to their customers with more digits in the code; the typical long-distance access code is now 14 digits. Trying to "hack" a code of 14 digits is considered to be approximately 100 times harder than a nine digit code. Again, the industry adapted to prevent fraud as best it could.

The telecommunications industry monitors code usage very closely to detect fraud early. For example, if a person or business normally has $100 per month of usage on their code and there is $100 in one day on the code, the industry computers are programmed to alert the security office, which calls to verify the usage and charges with the customer.

Senator DeConcini: It seems to me that the industry could be doing a lot more than it is to help reduce fraudulent activities. Do you share whatever information you gather about the methods of fraud with the industry so that it can institute better procedures to thwart fraud. If so, what has been the result?

Mr. Simpson: The Secret Service, at both the Field Office and the Headquarters levels, maintains working relationships with the credit card and telecommunications industries. The cases are referred by these industries directly to the Service's local field offices. This brings both the banking and telecommunications managements together with local Special Agents in Charge on a routine basis. In addition, the Special Agent in Charge of Fraud Division at Headquarters meets on a regular basis with representatives of MasterCard, VISA, American Express, Discover, AT&T, Sprint, and MCI, to discuss fraud related matters.

Many agents of this Service are members of the International Association of Credit Card Investigators, the Communications Fraud Association, and the American Society for Industrial Security. These associations represent the industries affected by access device and computer fraud. The Secret Service uses these forums to advise the industries of current trends and areas in which improvements are needed.

Senator DeConcini: What do you believe is the appropriate percentage of financial losses which should be investigated by the Service?

Mr. Simpson: The Service's purpose has never been to supplant state and local law enforcement agencies in access device investigations; rather, it has been to provide enforcement in those cases that are interstate or international in nature or for one reason or another are beyond the capabilities of state and local governments.

Presently, given the evolution and continuing growth of credit card usage in our economy, and based on experience, the Service believes that it should have a presence in approximately 7% - 10% of the total fraud.

Senator DeConcini: How do you expect to reach that level?

Mr. Simpson: Because of the current budget constraints, the Service did not ask for the additional staff needed to impact on 7% - 10% of the fraud. The request for an additional 78 agents will merely permit the Service to maintain the present level of impact; that is, on 5% - 6% of the total fraud.

Financial Crimes Enforcement Network

Senator DeConcini: How will the investigative work undertaken by the Service be affected by the Financial Crimes Enforcement Network (FINCEN)?

Mr. Simpson: All Secret Service investigations can benefit from a close cooperative relationship with FINCEN. The Secret Service investigates matters involving a variety of financial crime related cases. For example, the Secret Service investigates complex FDIC-related irregularities involving attacks on the

FDIC's insurance fund or the integrity of an FDIC examination.

The Service is committed toward actively participating in the FINCEN program. This commitment will insure that the Secret Service has access to FINCEN's all-source data base. This kind of access would complement most Secret Service financial crime investigations. Further, it will serve to inform the Secret Service of improved investigative methods, patterns and trends that will enhance investigative strategies.

FINCEN, too, benefits as the result of this symbiotic relationship by having the ability to "exploit" the Service's investigative jurisdiction and expertise as it pursues money laundering investigations, including those which involve drugs. In this way FINCEN and the Service contribute to the "War on Drugs."

The Service's FINCEN participation provides the opportunity to keep abreast of national trends in financial criminal activity and permits development of improved investigative strategies with other law enforcement agencies in a coordinated and responsible way. It provides the Service with the future opportunity to design, develop, and implement workable programs concerning financial criminal activity on a national level.

Senator DeConcini: Do you anticipate integration of your data bases with FINCEN to enable you to have better access to intelligence information involving financial fraud? If so, how?

Mr. Simpson: FINCEN has not, as yet, formally asked the Secret Service for access to its data bases. We anticipate, however, that the formal request will be forthcoming and we are looking at the options available to provide FINCEN with the kind of information it may need, while maintaining the integrity of the Service's system.

FY 1990 Deficit Funding Levels

Senator DeConcini: Your budget justification indicates that you propose to reprogram $5.925 million for personnel object classes in FY 1990 to cover the increased costs of pay. The $5.9 million will be taken from equipment ($3.65 million); rental payments ($1.5 million); and supplies ($.8). Were the increases in pay the direct result of absorption of the 1990 pay raise?

Mr. Simpson: The increase of $5.925 million was reprogrammed into the personnel object classes to cover the cost of the 1990 pay raise as well as other deficiencies currently existing within this expense area. The total amount required to fully fund the pay raise in FY 1990 is $5.3 million. The remainder is needed to partially alleviate current shortages resulting from prior year absorptions within the personnel object classes. Also, by reducing personnel transfers and reducing overtime costs, the remainder of the shortfall in this area can hopefully be managed.

Senator DeConcini: What equipment purchases will be deferred in Fiscal Year 1990 and are restorations contained in your Fiscal Year 1991 request for the equipment?

Mr. Simpson: The equipment purchases that will be deferred in Fiscal Year 1990 include the replacement of high mileage investigative vehicles and the purchase of replacement radios. Radio replacement is needed to further the Service's effort to convert to a radio voice privacy system. The FY 1991 request does have $1.0 million to help restore the base funding for replacement investigation sedans. However, the Service is not in a position to ensure that these equipment purchases will be restored within the confines of the FY 1991 budget request. The Service will be forced to continue to forego the major purchases that were deferred in FY 1990.

Senator DeConcini: What impact will the reductions have on your ability to carry out your planned activities in Fiscal Year 1990?

Mr. Simpson: In FY 1990 the Service has reduced the planned replacement of vehicles in its investigative sedan fleet. This reduction in FY 1990 could seriously jeopardize the safety of our employees and the meeting of investigative requirements. In addition, the Service has significantly reduced the funding available for the Voice Privacy Program. The reduction will delay the completion of this program, which is critical to the Service's protective endeavors.

Senator DeConcini: The Gramm-Rudman-Hollings 1990 sequester totalled $4.5 million for the Secret Service. What amount was restored in your 1991 request?

Mr. Simpson: Of the total Gramm-Rudman-Hollings reduction of $4,685,000, the Service had $2,345,000 restored in the FY 1991 Request.

Senator DeConcini: Please provide for the record a complete explanation of the prior year pay and benefit costs which have not been restored in the Secret Service budget and tell us what impact these unfunded costs have had on your ability to carry out your planned activities?

What impact, if any, will this have in FY 1991?

Mr. Simpson: The Service has had a chronic shortage of funding within its payroll accounts for the last several years as a result of having had to absorb, in whole or in part, many large increases in payroll costs. The largest of these absorptions was the base funding needed by the Service to switch to the new Federal Employees' Retirement System (FERS). Also, the Service has had to absorb not only the general employee comparability pay raises over the past few years, but also a significant amount of the 1988 Uniformed Division pay raise, all locality pay raises, all pay raises in the form of employee promotions and within-grade increases, and special targeted pay raises. Also, the Service has had to absorb a significant amount of the increased cost of health benefit plans. Also, the Service has been forced to absorb all of the increased cost associated with providing a relocation management service. Continuous absorptions have left these pay and benefit accounts severely deficient.

The impact of having to absorb these costs is quite severe. Since the Service cannot afford to reduce staff size, these absorptions must be made within the small portion of its budget that is most discretionary. This means that most of our equipment budget is seriously jeopardized. Short-term, the reductions in this part of the budget are possible, although not without some risks. However, continuing to forego replacement of old, worn, and obsolete equipment, and not updating the tools the Service needs to do its job, will be disastrous in the long term. The Service is dealing with a criminal element that is often equipped with state-of-the-art technology; not keeping up will eventually make investigative efforts less than minimally effective.

Armored Vehicles

Senator DeConcini: You are also requesting $1.075 million for the replacement of five armor-equipped vehicles. Your justification states that this is the beginning of systematic replacement of these vehicles.

How many armor-equipped vehicles do you presently have, how many do you plan to replace in the future, and what are the long-term costs associated with this vehicle replacement project?

Mr. Simpson: Currently, the Service has 49 armored limousines. Of these limousines, eight were purchased and put into service in FY 1981, three in FY 1982, six in FY 1983, 11 in FY 1985, and one in FY 1989. In addition, the Service purchased 20 vehicles in 1984 because it was the last year a rear wheel drive commercial limousine was built by an American manufacturer. Five of the 20 vehicles purchased were put into Service in FY 1984, seven in FY 1985 and eight in FY 1986.

With the funds requested, the Service will begin replacing these limousines at a rate of five per year. Based on this cycle, it will take the Service approximately ten years to replace the entire fleet, with the funding for five vehicle replacements being required each fiscal year.

Senator DeConcini: What happens to the existing vehicles -- are they sold and if so, what revenues will be yielded from their sale?

Mr. Simpson: When armored vehicles are no longer used for protection they are used for training. The vehicles are utilized in driving courses, basic agent training courses, and in simulated attack situations. When they are no longer useful in training programs, they are used for research in ballistic and blast studies. They are completely destroyed during this testing.

Protection Program

Senator DeConcini: You are requesting one additional Special Officer to protect the Vice President's children. What is the cost for this officer and how are these protective responsibilities currently being met?

Mr. Simpson: The Special Officer will cost $43,000 per year. The responsibilities are currently being met through the use of overtime.

Senator DeConcini: You are also requesting two additional positions for an automobile paint and body worker and an automobile body worker assistant so that Service vehicles can be painted and repaired in-house. You state that these positions would save approximately $30,000 per year, the cost currently spent on contracts. What is the cost of these two additional positions and how can the $43,000 contained in your request fund these positions and the Special Officer?

Mr. Simpson: The budget includes funding for only one FTE, the Special Officer position. The other two are expected to be funded through the savings accruing from using an in-house paint and body work facility.

Senator DeConcini: Your justification states that approximately 40 percent of the Service's regular armored limousines and backup vehicles are painted each year. This seems like an unusually high number of vehicles needing painting. How many primary vehicles do you have and why are you currently painting these vehicles so often and what criteria do you use to determine if a vehicle is taken in for paint work?

Mr. Simpson: The Service has three primary limousines which are used by the President only. The remaining 46 vehicles are used for the Vice President's Detail, the Former President's Details and for Foreign Dignitaries visiting this country.

We paint the armored vehicles when it is necessary due to exposure, wear, or damage. These vehicles are often transported to different parts of the world to meet protective requirements. They, therefore, undergo a great amount of exposure to weather and damage during transportation. When a limousine begins to show excessive wear or is damaged, it is taken out of service and sent for repairs.

In addition to the protective function that these vehicles provide, they also project the image of the Office of the President or the foreign dignitary using the vehicle. As a result, appearances are an important factor.

Senator DeConcini: On average, how often is each vehicle currently repaired and painted?

Mr. Simpson: The number of vehicles painted per year varies depending on the type of vehicle. The following indicates the average number per type of vehicle:

	# painted each year	total # in fleet
Presidential Primary Vehicles	2	3
Regular Armored Limousines	10	46
Backup Vehicles (Washington, D.C.)	36	69
Uniformed Division Cruisers	34	90

Senator DeConcini: Your justification states that there are security factors to consider. Has the Service ever encountered any threats to the security of these vehicles through contract repairs?

Mr. Simpson: The contractors and their employees who work on our vehicles undergo a background check and their work is performed under Secret Service scrutiny. The vehicles are not left unguarded during the work, and even then undergo a security check prior to use by our protectees. There has never been an overt threat toward any of our vehicles. Oversight during the repair work and checking repaired vehicles before returning them to use is a deterrence.

Senator DeConcini: You are also requesting $50,000 for the installation of a permanent paint booth. Was this taken into consideration in the calculation of the total savings associated with this project?

Mr. Simpson: The $50,000 installation cost was not included as an offset to the cost savings. The installation cost will be a one-time cost that will be reflected as a non-recurring cost in FY 1992. In addition, the cost savings of an in-house facility was not the only consideration in making this request. Operationally there are many benefits accruing from having the in-house paint and body facility.

Protective Research

Senator DeConcini: You are requesting 12 positions and $506,000 in FY 1991 for additional Communications Specialists. You state that these positions are needed to respond to the increasing workload associated with conversion to the Voice Privacy System. How long will it be before the conversion to voice privacy is completed? How many of the 12 positions will be devoted to this project?

Mr. Simpson: The conversion to Voice Privacy will be completed by the year 2000, assuming funding requests for FY 1991 and the strategy for funding and staff in the out-years is approved. This program is in accordance with National Security Policy Directives for securing communications in the law enforcement community. Several major field office locations and all the activities in the Washington, D.C. area have already been converted to Voice Privacy. An eight-year schedule has been developed to convert the remaining offices, contingent upon the resources the Service has for this project.

Two of the positions requested in FY 1991 will be devoted full time to the Voice Privacy program.

Senator DeConcini: The remaining positions are proposed for additional Computer Programmers, Intelligence Research Specialists and Technical Security Specialists. Can you tell the committee how many positions will be assigned to the service-wide ADP Program, how many will be allotted to Technical Security and how many will be designated for intelligence work?

Mr. Simpson: Three positions will be allotted to ADP Programs; five positions will be allotted to technical security; and two positions will be allotted to intelligence work.

Technical Security Program

Senator DeConcini: You are requesting funds totalling $1,075,000 for three new Technical Security Projects in Fiscal Year 1991 which include $800,000 for the installation of a White House Access Control System; $150,000 for replacement of the White House Fire Detection System; and $125,000 for a Mobile Direction Finding System to locate transmitters more quickly. Please tell the committee what the impact would be if these projects were deferred to some future fiscal year? Which one is of the highest priority?

Mr. Simpson: Not receiving the funding for the White House Access Control System in the 1991 fiscal year would result in the delay of its installation for at least one year. Further, without additional funding for continued support from the present contractor, we will permanently lose the services of the personnel presently assigned to this project, as they will be reassigned. To re-start this project could be costly.

Delaying replacement of the White House Fire Detection System would be a problem. System components and replacement parts for the current system are no longer manufactured. The power supply associated with the current system is one of a kind, manufactured specifically for the White House, and it cannot be repaired or maintained without considerable downtime. Age is a critical factor in the present system. System failure in an emergency situation is a distinct possibility. The replacement of the current system is planned to coincide with the White House renovation project. If funds were to be denied for this project at this time, the system would have to be refitted at a later date at a cost two to three times the current estimate.

The Mobile Direction Finding System is required to locate Technical Surveillance equipment and other classified high threat transmitters. The system is to be routinely used around the White House Complex, protectee residences and during high threat events such as Conventions and the Inauguration. Further delays in its acquisition will increase its cost and make it unavailable in time for the 1992 campaign. Failure to procure this system in the immediate future will result in the Service being at a significant disadvantage in dealing with the increasing sophistication of terrorists.

It is difficult to rank the above systems on a priority basis; all of the requests are urgently needed from a technical security viewpoint. However, from an economic standpoint, it would be most beneficial and cost effective if the Access Control System were ranked as the top priority.

Replacement Vehicles

Senator DeConcini: In Fiscal Year 1991 you are requesting $1,000,000 for the replacement of investigative vehicles. Your justification states that funds budgeted for this activity in both Fiscal Years 1989 and 1990 were used for personnel compensation and benefit costs. How many vehicles does the Secret Service need to replace at the present time?

Mr. Simpson: At the beginning of Fiscal Year 1991, it is estimated that the U. S. Secret Service will have 466 vehicles meeting replacement guidelines. During Fiscal Year 1991 an additional 321 vehicles are expected to meet replacement criteria. In addition, in FY 1991 the overall age of the fleet will have increased by two years, with more than 300 vehicles having logged in excess of 70,000 miles, 10,000 miles beyond the 60,000 criteria used for replacement. The Service has particular concerns that the continual delays in restarting its vehicle replacement program will come at a great cost; that is, continued escalation of maintenance costs associated with the aging of its fleet and a decrease in the reliability and availability of vehicles necessary to meet critical mission requirements.

Senator DeConcini: What are the full replacement costs for those vehicles which are in poor operating condition? How many vehicles do you plan to replace with the $1,000,000?

Mr. Simpson: The following table summarizes the FY 1990 and FY 1991 information on numbers of vehicles meeting eligibility and replacement criteria and replacement cost:

Replacement	Number	Cost
Vehicles FY 1990	466	$6.5 million
Additional FY 1991	321	$4.5 million
Total	787	$11.0 million

Approximately seventy-two vehicles could be purchased with $1 million.

Communications System

Senator DeConcini: You are requesting $700,000 in Fiscal Year 1991 for communications procurement. Your budget includes $200,000 for the procurement of secure data transmission equipment and $500,000 for communications processors for your mainframe computer. What are the long-term costs for both of these projects and what will be the benefits to the Service?

Mr. Simpson: The benefits to the Service for this replacement/upgrade fall into three categories: Increased channel capacity to support projected increases in message traffic; consolidation of the functions of three devices into one device; and prevention of obsolescence in the mainframe component system configuration.

Visual recognition of suspects, in both protective and criminal cases, is vitally important to law enforcement. The Secret Service has been experimenting with visual recognition image systems with the intent of extending this capability to 120 field facilities throughout the nation. Even with the use of compression techniques, the message size associated with a single photograph, handwriting or fingerprint exemplar is large in comparison to the conventional size of a CRT screen image. The increased channel capacity associated with these new processors will allow the Service to implement this image technology.

The architecture of the current NCR COMTEN 3695 communications processors will be over seven years old at the time of their planned replacement. This upgrade will prevent obsolescence in the Mainframe component system configuration.

The funds requested for the communications processors are for a one-time purchase of the equipment. Although, approximately ten percent of this amount will be required long term for maintenance and repair costs.

The secure data transmission equipment is needed to enhance the security of the Secret Service data transmissions by providing end-to-end encryption for access from remote locations not served by the Integrated Network. An example of this service would be temporary protective missions where dial-up telephone lines are required to access the central database. Another example for use of this equipment is to interface overseas locations with the Department of State Telecommunications Network (DOSTN). This, too, is a one-time request for funding in support of secure data network systems, with approximately 10% of the original cost needed in future years to cover maintenance and repair costs.

Senator DeConcini: Will the funds requested for Fiscal Year 1991 include the purchase of the communications equipment or will the systems be leased on a contract basis?

Mr. Simpson: The $500,000 Mainframe Computer Processors for two facilities are communications processors which will be purchased in FY 1991.

The $200,000 Secure Data Transmission Equipment is also a purchase in FY 1991. Outyear costs for this equipment will be about $20,000 for maintenance and repair.

Senator DeConcini: How will the procurement of these systems integrate the voice privacy radio system?

Mr. Simpson: There is really no relationship between voice privacy, the communications processor replacement and the secure data transmission equipment. Radio Voice Privacy deals with the handie-talkies and saber radios which agents carry on their person or in their vehicles while on protective and investigative assignments. The communications processors and secure data transmission equipment are used in conjunction with computer applications and data base access.

Data Processing System

Senator DeConcini: Your budget request includes an additional $875,000 for upgrades to your automated data processing system. $375,000 of this amount is for enhancement of the service-wide property accounting system. Your justification states that this enhancement is necessary to correct weaknesses cited in the Secretary's Report on the Federal Managers' Financial Integrity Act. Can you explain the weaknesses cited by the Secretary and explain how these additional funds will be used to correct the deficiencies?

Mr. Simpson: The primary impact of the non-conformance is related to the reconciliation of the Property Accounting System with the General Ledger

Account for Property. Implementation of the new Property System will allow for the recording of the actual cost of acquisition. The Property Accounting System will be interfaced with the Service's Financial Management and Accounting System, thus enabling the Service to reconcile the General Ledger property accounts with the summary listings of property.

Maintenance of the Rowley Training Center

Senator DeConcini: In Fiscal Year 1991, $352,000 is being requested to provide upgrades at the Rowley Training Center and correct health, safety and environmental problems. Please explain the hazardous waste removal project. Where are these wastes located and have you identified the cause?

Mr. Simpson: The hazardous wastes at the James J. Rowley Training Center are lead, used motor oil, gun cleaning solvent which contains kerosene, and gun bluing salts which contain sodium hydroxide.

These wastes are operational by-products. The lead consists of the projectiles of the ammunition fired in weapons training. It is located at both the indoor and outdoor ranges. The used motor oil is from the vehicles used in the Protective Operations Driving Course and is located at the driving pad garage. The gun cleaning solvent is located at all ranges. The gun bluing salts are used by the armorers to reblue weapons. These salts are kept in the armory.

In FY 1990, the Service entered into a multi-year contract with an EPA-certified hazardous waste removal contractor for removal of these operational by-products.

Senator DeConcini: Have you conducted an extensive survey to determine whether or not there is additional hazardous waste on the grounds of the training center? If so, what were your conclusions?

Mr. Simpson: The Service has conducted a comprehensive survey of the training center. The materials described above, and a small amount of asbestos material used to wrap pipes and ducts in the boiler room of the Administration Building, are the only materials identified as potentially hazardous.

Senator DeConcini: The asbestos removal project identified in your justification seems to be isolated in the boiler room. Were asbestos fibers disturbed during the survey to cause you to move forward on this abatement project? Is there asbestos in other areas of the training center which may need to be removed in the future? Please explain your plans in this regard.

Mr. Simpson: The asbestos material in the boiler room was disturbed during the survey, and we encapsulated it immediately.

The encapsulation of this material has rendered it safe until funding becomes available to replace this system, at which time the asbestos can be removed. No other asbestos was revealed by the survey.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI

Utilization of Fort Meade, Maryland Rifle Range

Senator Mikulski: The Department of Defense has identified Fort Meade, Maryland as one of the army bases to be closed as a result of the DOD Base Closure and Realignment Act. Your Agency uses the rifle ranges at Fort Meade to conduct training critical to your protective mission.

What would be the impact on your protective mission if you were unable to use the range facilities at Fort. Meade? What alternative does your agency have if this closing should occur? Do you have a solution to recommend that would allow you to continue the use of the range facilities after the base is closed?

Mr. Simpson: The Secret Service has conducted firearms training on Range 10 at Fort Meade since 1972. The primary users of this range are the Service's Counter Sniper and Counter Assault Teams, whose mission is to provide essential protection for the President, Vice President and visiting foreign heads of state. These two units use Range 10 for both day and night firearms training from three to five days each week.

Operational necessities and training standards require team members to qualify with their weapons at distances in excess of 100 yards. Marksmanship training at the James J. Rowley Training Center is limited to distances of 100 yards or less. Because of the urbanization in the surrounding area, there is no possibility of constructing ranges with longer shooting distances at the Rowley Training Center. The cost of a new range at another location would require the purchase and development of a parcel of land approximately 3.1 miles long in the shape of a cone, with the impact area the widest part of the cone. The width of the impact area, determined by the angle of shots taken from the firing point, would be approximately 2 miles. The cost of such a parcel near the Rowley Training Center would be prohibitive.

Since we have exclusive use of Range 10, we are able to schedule our training when operational commitments permit. Range 10 also provides us the safeguard against unwarranted observation during training exercises.

There are two ranges that have the capacity for 100 to 1,000 yard marksmanship training if they would be available when we need them. The two ranges are located at the United States Marine Corps Base at Quantico, Virginia and at Fort A.P. Hill. Both of these ranges require travel time of one hour and two hours one-way, respectively, and would therefore increase our training time considerably. The driving time to Fort Meade is twenty minutes. These ranges also would not provide the Service with the security against unwarranted observation during training exercises, nor with the scheduling flexibility that the Service currently has with Range 10.

The loss of Range 10 at Fort Meade would impact on training in the following ways:

1) The Counter Sniper instructors and team personnel would have to travel from two to four hours a day for training and requalification, thereby reducing the actual time for training, or necessitating the paying of overtime.
2) The Counter Sniper Training Course, which is four weeks in duration, would have to be extended to allow for the additional travel time to the ranges.
3) The Counter Assault Team instructor staff and operational personnel would have to travel two to four hours a day to conduct necessary training, i.e., live fire instant action drills, night fire and known distance shooting.
4) The Counter Assault Team Basic School, currently three weeks in duration, would have to be extended to allow for additional travel time. An extensive part of this school is currently conducted at Fort Meade, Maryland.

If the Department Of Interior acquires the land at Fort Meade for the Patuxent Wildlife Refuge, this Service and other agencies could continue to use the range facilities. In as much as the continued use of Range 10 at Fort Meade is critically important to the Secret Service in maintaining vital marksmanship skills required to meet our protective responsibilities, we are willing to accept the responsibility of administering all range operations at Fort Meade.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

-Funding the FY 1991 Budget Shortfall

Senator Domenici: The Fiscal Year 1991 budget Request for the Secret Service reflects unspecified program reductions totaling $10,639,000 which will be required to offset the cost of the proposed January 1991 Pay Increase, the increased cost of the Executive/Senior Executive Service pay raise, the increased cost of administrative overtime costs, and the increased costs of maintaining current base operating funding levels.

The justification indicates that the $3,201,000 required to offset the cost of pay increases would be taken from reductions in capital improvements during Fiscal Year 1991. Specifically, from which capital improvement projects would you take these funds?

Mr. Simpson: The Secret Service budget request for FY 1991 indicates that reductions will need to be made to fully fund the costs of (1) administratively uncontrollable overtime resulting from passage of P.L. 101-173, (2) the expected January, 1991 pay raises, and (3) inflationary impacts. These costs total $10.5 million.

Several alternatives are under consideration to fund these costs. Initially, we will be reducing our current level of effort placed on the development of the Service's workforce. Specifically, the Service's career development, management, and OJT training programs would be eliminated. Additionally, career development employee relocations would be discontinued.

If appropriations are at the levels requested, options include modifying a number of the proposed initiatives.

For example:

1) Postponing the planned upgrade of the Service's mainframe computer and deferring enhancements to the Property Accounting System.

2) Deferring renovation of the New York Field Office, although higher costs would be anticipated to complete the same work in the future.

3) Purchasing only a portion of the investigative sedans needing replacement.

4) Cutting back on the number of new positions proposed to conduct investigations in the area of credit card and computer fraud.

If the these options are unavailable, alternatives with more serious impacts, such as base staffing reductions, would be considered. A hiring freeze would be expected to reduce staff size by up to 200 permanent positions (100 FTEs) and affect all employee categories.

In all likelihood, a combination of the actions described above would be undertaken to fund the $10.5 million required in the budget.

In making these reductions, the Service will seek to minimize the impact on its protective programs.

Senator Domenici: What percent of the Fiscal Year 1991 costs of the Fiscal Year 1991 pay raise does the President's Budget Request require the Service to absorb? What is the total amount required to be absorbed?

Mr. Simpson: The President's budget request has the Service absorbing half of the FY 1991 costs of the FY 1991 pay raises. The Service will have to absorb a total of $2,972,000 of the cost of the general pay raise, and $229,000 of the cost of the Executive/Senior Executive Service pay raise.

Organization of Women in Federal Law Enforcement

Senator Domenici: Appropriations Language is requested for Fiscal Year 1991 to allow the Secret Service to expend "Not to exceed $15,000 to assist in hosting the Biennial Conference of the Organization of Women in Federal Law Enforcement to be held during Fiscal Year 1991."

Has the Secret Service provided support for this conference in the past? If not, who has funded this conference in past years?

Mr. Simpson: The Biennial Conferences, hosted by the Women in Federal Law Enforcement Interagency Committee, have been self-supporting. The committee is comprised of females from Federal Law Enforcement Agencies who volunteer their time and effort to promote opportunities for women seeking Federal law enforcement careers and to assist those already establishing careers through additional professional training. The Secret Service and other Federal agencies have supported these conferences through committee members efforts and participation; and, in the past, have not provided any financial assistance to support these conferences.

Senator Domenici: What is the justification for the request for the Secret Service to provide funding for this conference in Fiscal Year 1991? Are the other federal law enforcement agencies also providing financial support for this conference in Fiscal Year 1991?

Mr. Simpson: Very few symposiums for females in law enforcement currently exist. Since the Secret Service recognizes the expanding role and contribution of women to the law enforcement profession, concrete measures to increase and enhance its female population have been taken. One of these measures has been to encourage the commingling of talents and viewpoints within the law enforcement community. Historically, because of a limited budget, conference participants represented the Federal sector primarily, with only a small representation from local law enforcement interests. There has been no formal advertising to state or local agencies. The purpose of lending additional personnel and financial support to the FY 1991 conference is to reach a wider audience of women to expose them to law enforcement career opportunities and to enhance the professional training opportunities of career personnel. The Secret Service believes that lending this additional support to this conference will provide a unique opportunity for professional law enforcement females and will provide further interest in this profession. And, other Federal Law Enforcement agencies are being encouraged to provide personnel and financial support through the Symposium Committee's requests. However, at this point in time, no other Federal Law Enforcement agencies have indicated that they will provide financial assistance.

Senator Domenici: The budget justification indicates that women represent a valuable asset for the Secret Service and this organization promotes women in Law Enforcement and increases the size of the qualified applicant pool. How will Secret Service support for this organization's biennial conference directly impact the Service's ability to maintain the size and quality of its workforce?

Mr. Simpson: Competition for qualified female law enforcement candidates is intense. The size and quality of the workforce is directly related to the qualified applicant pool, and the symposium represents an opportunity for the Secret Service to educate and/or recruit personnel now and for the future. In addition, support for conferences such as this offer invaluable opportunities for future cooperation between local, state, and federal law enforcement personnel.

Assistance to Foreign Law Enforcement Organizations

Senator Domenici: Appropriations Language is proposed for Fiscal Year 1991 to authorize the Secret Service to provide equipment and technical assistance to foreign law enforcement organizations in counterfeit investigations. Not to exceed $50,000 is requested for this purpose.

Would you please provide some examples of the type of equipment and technical assistance to foreign law enforcement organizations the Service is proposing to fund.

Mr. Simpson: Some examples of the type of equipment and technical assistance to foreign law enforcement organizations that the Service proposes to fund are as follows: Tape recorders; Actuators (telephone wire intercept); Dialed Number Recorders; Bicycles; Motor Scooters; Radios; Microphones and Antennas. These items are standard, "off the shelf" type equipment that are considered "luxuries" for foreign police units that cannot afford them, but which, if not supplied, could impede the Service's investigations. There have not been any requests for firearms or any sort of weaponry. The Service would not provide firearms or any sort of weaponry.

Senator Domenici: Why is it necessary to provide this funding to foster the cooperation and assistance of foreign police organizations?

Mr. Simpson: Several countries have recognized a serious propensity for the counterfeiting of U.S. currency within their jurisdictions. These countries have addressed this problem by establishing a close working relationship with the various offices of the Secret Service and by creating or enhancing police units to specifically combat counterfeiting. It is in the interest of the Service to ensure that this cooperation continues. Providing the necessary funds for equipment and technical assistance to foreign law enforcement organizations will enable the Service to actively pursue these counterfeit investigations.

Senator Domenici: What will be the direct benefits of such assistance on the Service's investigative efforts?

Mr. Simpson: Since the small number of Secret Service agents posted overseas cannot give direct assistance to each case, it is in the Service's best interests to foster safe, professional, dedicated units to pursue U.S. note counterfeiters. The direct benefits of such assistance on the Service's investigative efforts are many. The equipment that the Service would provide would allow the foreign police agencies to better utilize their manpower, to be more effective in their investigations, and create a safer, more professional environment for their units. Providing this equipment and technical assistance also demonstrates the resolve of the Service to assist and cooperate in the suppression of the counterfeiting of American currency overseas.

Enhancements to the Vice President's Residence

Senator Domenici: The Service is requesting $2.5 million for fiscal year 1991, to remain available until expended, for major renovations of the Secret Service Command Post at the Vice President's residence. The budget justification indicates that these renovations are required due to safety hazards currently existing at this Command Post. Would you please explain what safety hazards now exist at the Command Post, what improvements will be funded by the $2.5 million requested, and what will be the timeframe for accomplishing the work.

Mr. Simpson: This building was built in the early 1890's as a stable. Since then the building has undergone a number of additions and alterations which explains the different degrees of deterioration. The following information is from a recent Facility Evaluation and Expansion Study of the Command Post at the Naval Observatory (Building 19), that was commissioned by the Service.

- The exterior doors have very little clearance above grade. A door at the southeast corner of the west wing has been sand bagged to prevent flooding when it rains.

- The joists on the first floor are in poor condition. There is evidence of prior insect infestation, dry rot, and failure in these joists. The first floor joists have been temporarily shored up to prevent a possible collapse, until funding is available for a permanent solution.

- Also, asbestos has been discovered in Building 19.

The above represents some of the safety hazards which have been uncovered. The funding being requested will be used to completely renovate the structure. If funding is made available in FY 1991, the project should be completed by FY 1993.

New York Field Office Renovations

Senator Domenici: The Service is requesting $3.2 million for Fiscal Year 1991, to remain available until expended, to fund major renovations of its New York Field Office.

Would you please provide a list of the renovations to be funded, the amount required for each of these items, and the timeframe for completing each. Also, why is the cost of renovating the New York Field Office an expense of the Secret Service rather than the General Services Administration?

Mr. Simpson: The "shell cost" for these renovations is $3,200,000 and includes the costs of demolition, general carpentry, construction, heating and air conditioning, mechanical and electric work, project management, and inflation. The design for the renovations will be completed in January, 1991. The project will be done in three phases, with commencement of construction in August 1991, and completion by September 1992.

The following is a summary of project costs:

Project	$000
Demolition	$ 200
Interior Construction	1,000
Electrical	250
Mechanical	600
Overhead & Profit	800
Design Contingency	200
Management & Inspection	150
Total	$3,200

GSA has scheduled repairs to the building occupied by the New York Field Office including installation of sprinklers, new lighting and ceiling repairs. They have also participated with us in a review of utilization and assignment of space within our New York Field Office. They agree that the space needs to be realigned to promote effective utilization and to provide for needed special use areas. GSA agreed to delay part of their repair project to coincide with alterations to our space so that our operations would not be disrupted more than once. Due to contractual considerations GSA must complete their repair job in FY 1991. Since GSA funds are not available for these renovations which must commence in FY 1991, the Service is requesting $3.2 million for them to remain available until expended. These funds will enable the renovations and GSA's repair job to be accomplished simultaneously, thereby preventing multiple office disruptions and additional construction costs.

The funding of this project was discussed with GSA. GSA does not currently have the necessary funding for this project. After considering the need for providing the necessary funding quickly, the conflicting needs for resources within GSA and the Service, and the high priority placed on this by the Service, it was decided that the most expedient method for obtaining the funding was through a Secret Service request.

Headquarters Consolidation

Senator Domenici: The Fiscal Year 1990 Appropriations Act (P.L. 101-136) provided an additional $4.7 million above the level of the President's request for the Secret Service. The original budget request included $7.616 million for the Service's headquarters consolidation project. The Appropriations Act provided the $5.3 million requested for planning, preparation, and renovation work for this project, but denied the $2.316 million originally requested for increased rental payments related to this consolidation since those funds would not be needed in Fiscal Year 1990. These funds were made available for other purposes.

The "Congressional Action" column of the Fiscal Year 1990 spending table on page SS-1 of the budget justification does not reflect a reduction of $2.316 million in the "GSA Rent" object classification and a corresponding increase elsewhere. Why?

Mr. Simpson: The Congress indicated that the Service should explain what would be done with $4.7 million that was appropriated beyond what was required and requested. This amount included the $2,316,000 budgeted for rent. This funding, along with other base funding, was reprogrammed into the Service's personnel accounts. It seemed most appropriate to indicate this as a reprogramming action.

Senator Domenici: What is the status of the Secret Service Headquarters Consolidation project? Obviously, the Secret Service will be cutting a check to GSA for the full $5.3 million appropriated to it in FY 1990 for this project, but what amount of these funds will actually be obligated in Fiscal Year 1990? What amount will be obligated in Fiscal Year 1991?

Mr. Simpson: A comprehensive consolidation "Master Plan" for the Secret Service has been prepared by Peck/Peck and Associates (in conjunction with the General Services Administration). We are actively working with the General Services Administration in an effort to implement this plan.

Toward that end, we are now in the initial stages of preparing a Solicitation for Offers (SFO) which will include detailed specifications for our consolidated site. The SFO will be used to obtain bids from potential lessors. It will be prepared by an architectural/engineering firm currently under contract with the General Services Administration. Current scheduling calls for the SFO to be completed late this summer. Once prepared, the SFO will be presented to potential lessors for preparation of proposals.

Concurrent with the development of the SFO, we are working with the General Services Administration in the development of the prospectus for the consolidated site. Current scheduling calls for the Prospectus preparation process to be complete this spring.

Federal space acquisition is driven by the availability of funding. The process of programming needs, developing and approving prospectuses, preparing solicitations, advertising, selecting, and negotiating the lease agreement for the selected building, and designing and renovating the space, is a lengthy and complex process.

The General Services Administration is well along in the consolidation process. They plan on finalizing the SFO late this summer and will then provide potential lessors with the bid package. Subsequently, the negotiation process will begin. However, none of the $5.3 million will be obligated for the Headquarters Consolidation project in FY 1990.

Senator Domenici: When is the headquarters consolidation effort now expected to be completed?

Mr. Simpson: Sometime between 1992 and 1995, depending upon market conditions. GSA plans on awarding the lease in 1992; however, an actual occupancy date is not firmly established.

Senator Domenici: In which fiscal year can we again expect to see an increase in the Secret Service's rental cost requirements for occupancy of this new consolidated space?

Mr. Simpson: Because we anticipate consolidating somewhere between 1992 and 1995, we foresee an associated RENT increase sometime during this time period as well. Additionally, the National Science Foundation will be moving from 1800 G Street in 1992. This will render a large portion of 1800 G Street vacant and available for lease. If 1800 G Street is the winning location and is awarded the lease in 1992, we could begin our consolidation that year and complete it sometime prior to 1995, thereby possibly realizing a RENT increase sometime in Fiscal Year 1992.

Budget Reductions

Senator Domenici: As a result of the sequester and the Service's proposed Fiscal Year 1990 reprogramming, a total reduction of $4.870 million is being proposed in the Service's equipment budget.

Specifically, what equipment purchases will not be made in Fiscal Year 1990 as a result of this reduction?

Mr. Simpson: In FY 1990 the Service has deferred for the second year in a row the replacment of some or all of the high-mileage investigative vehicles. None of the 343 replacement vehicles budgeted for replacement in FY 1989 were replaced. In FY 1990, only about one-third of the planned replacements may be made. In addition to investigative sedans, the Service will also be delaying the purchase of replacement radios needed to convert to a radio voice privacy system.

Senator Domenici: Which of these equipment purchases will be made in Fiscal Year 1991 and which will be cancelled or deferred until future fiscal years?

Mr. Simpson: The Service will not be in a position to restore funding for any of these items in FY 1991.

FY 1990 Pay Increase

Senator Domenici: What is the total amount of funding required by the Service to cover the Fiscal Year 1990 cost of the Fiscal Year 1990 pay increase? What is the Fiscal Year 1990 cost of other mandatory personnel cost increases? Please be specific as to the amount required for increased Federal Employees' Retirement System, health benefits, and other costs. What portion of these increases were funded and what portion has to be absorbed by the Service?

Mr. Simpson: The total amount required for the cost of the Fiscal Year 1990 pay increase is $5.3 million. Other mandatory increased pay and benefit costs in FY 1990 total $2.8 million. These other mandatory increases, in addition to the increases for the new Federal Employees' Retirement System and health benefit plans, include the net increase for fully funding the pay of current staff; within-grade, merit pay and promotion costs. The increased personnel costs are as follows:

Required Increase

FY 1990 Pay Raise	5,300,000
Net Salary Increase for Within-grades, Merit Pay and Promotions	438,000
Benefits for Salary Increases	87,000
Increased Cost of FERS	1,076,000
Workers' Compensation	431,000
Increased Cost of Health Benefits	780,000
Total	$8,112,000

The Service received only $1,851,000 in its FY 1990 budget to cover these increased costs.

Senator Domenici: The Fiscal Year 1990 reprogramming proposal indicates that further expenses are being incurred by the Service relative to the heavy travel schedule maintained by the President. Does the proposed Fiscal Year 1990 reprogramming request reflect an increase in funding required as a result of the President's travel schedule? If so, what is the amount of the increase and where is it reflected?

Mr. Simpson: The Service did not reprogram additional funds into the travel object class. The Service anticipated the increased travel costs and was careful to fully fund the requirement in its base budget. However, the increased use of overtime associated with this heavy travel schedule contributes to the need for the Service to reprogram funds into its pay and benefits accounts.

Senator Domenici: The budget justification materials indicate that with the election of President Bush, travel has increased by over 57 percent. Does the Service's Fiscal Year 1991 request reflect an increased funding requirement as a result of the President's heavier travel schedule? If so, what additional amount is being requested? If not, why?

Mr. Simpson: In formulating the FY 1991 budget, the Service was acutely aware of the increased level of travel associated with the President. Therefore, care was taken to ensure that this expense area was fully funded within the base budget, and no additional travel funds are requested in the FY 1991 request. However, the President's heavy travel schedule will place additional burdens on the overtime budget and this additional cost will contribute to the Service's overall shortage of funding in its pay accounts.

Fraud Investigations

Senator Domenici: For Fiscal Year 1991, the Service is requesting an increase of 78 full-time equivalent positions and $8,424,000 for credit card and computer fraud investigations. The Budget justification indicates that these additional resources will allow it to suppress a projected $171 million in access device and computer fraud resulting in the Government receiving an estimated $46.5 million more in corporate income taxes.

How do you arrive at the increased revenue estimate projected to result from the increase in investigative staff resources?

Mr. Simpson: For FY 1988, the Service's investigations suppressed $112 million in fraud losses; losses not suffered by corporations. This is fraud that probably would have occurred were it not for the arrest of the criminal. The suppressed fraud figure is determined by subtracting the actual fraud realized in each investigation from the average "potential" fraud provided by the affected industries (their average historical loss for each type of fraud). The net result is the amount of fraud suppressed.

With the additional staff years dedicated to fraud investigations, the Service can project, assuming the same efficiency as FY 1988, that it will suppress an additional $59 million in fraud. This would be a total of $171 million in suppressed fraud. This represents the value of goods and services which will not be lost to fraud.

When goods and services are lost to fraud, the government is denied taxes because of loss write-offs. According to the Internal Revenue Service, the average corporation pays income taxes at the rate of 27.18%. Therefore, the Service projects that with the additional $59 million in suppressed fraud, on top of the anticipated $112 million to be suppressed by existing staff (total of $171 million), the government would receive a total of $46.5 million in corporate income taxes ($171 million x 27.18%). This figure would only be $30.5 million without these additional agents.

Senator Domenici: What is the base level of FTE's and funding for credit card and computer fraud investigations?

Mr. Simpson: In FY 1988, Special Agents devoted 278,544 hours to access device fraud investigations. It is estimated that the cost of each investigative staff hour is $41.97. Multiplying this figure by the number of staff-hours results in an approximate cost of $11,690,000 for access device fraud investigations during FY 1988.

Senator Domenici: How does the increase in funding and staff requested for fraud investigations in Fiscal Year 1991 compare with the increase in the Service's fraud case workload between Fiscal Years 1990 and 1991, as reflected on the workload data table included in the budget justification materials?

Mr. Simpson: Fraud investigations are referred by the various affected industries to the local field offices. The Special Agent in Charge (SAIC) of each field office determines which cases will be investigated based on a variety of criteria. Each SAIC must consider not only the economic impact of each case, and the prosecution guidelines of the United States Attorney, but also the investigative resources available in the office to investigate the case.

Consequently, with additional resources, the SAICs will be able to accept many of the investigations with significant economic impact which have heretofore been rejected because of a lack of resources.

Armored Vehicles

Senator Domenici: An increase of $1,075,000 is requested for fiscal year 1991 to begin systematic replacement of the Service's current fleet of limousines with five vehicles equipped with state-of-the-art armor. How many vehicles in the fleet require replacement? How many years will the replacement plan take and what will be the cost of this replacement plan each fiscal year?

Mr. Simpson: Currently, the Service has 49 armored limousines. Of these limousines eight were purchased and put into service in FY 1981, three in FY 1982, six in FY 1983, 11 in FY 1985, and one in FY 1989. In addition, the Service purchased 20 vehicles in 1984 because it was the last year a rear wheel drive commercial limousine was built by an American manufacturer. Five of the 20 vehicles purchased, were put into Service in FY 1984, seven in FY 1985 and eight in FY 1986.

By FY 1991, the Service's oldest limousines will be ten years old, well past their useful life. With the funds requested, the Service will begin replacing these limousines at a rate of five per year. Based on this cycle, it will take the Service approximately ten years to replace the entire fleet, with the funding for five vehicle replacements being required each fiscal year.

1992 Presidential Campaign

Senator Domenici: An increase of $5,894,000 is requested to fund start-up costs related to the 1992 Presidential Campaign. How does this amount compare to the first-year start-up costs for the 1988 Presidential Campaign?

Mr. Simpson: The funds required in FY 1987 for the 1988 Presidential campaign totalled $5,652,000.

James J. Rowley Training Center

Senator Domenici: The first quarter report for fiscal year 1990 on the status of construction and plans for completing the James J. Rowley Training Center indicates that Phase II of the project was delayed because of the need to redesign Phases II and III. Would you please explain how Phases II and III have been redesigned?

Mr. Simpson: Phase II (Perimeter Road Network) and Phase III (Tactical Response area) were redesigned to incorporate the parking adjacent to the Tactical Response area under Phase II. The benefit of this redesign allows for all parking to be done by a parking contractor under Phase II as opposed to requiring parking and construction contractors for Phase III.

Senator Domenici: Which other Federal Agencies currently use the James J. Rowley Training Center for firearms training and requalification testing of their personnel?

Mr. Simpson: The following Federal agencies use the facility:

U. S. Park Police

National Zoo Police

Department of Agriculture: Agriculture Security Police

Department of the Interior: Fish and Wildlife Service

INTERNAL REVENUE SERVICE

STATEMENT OF FRED T. GOLDBERG, JR., COMMISSIONER

ACCOMPANIED BY:

- **MICHAEL J. MURPHY, SENIOR DEPUTY COMMISSIONER**
- **JOHN D. JOHNSON, DEPUTY COMMISSIONER, PLANNING AND RESOURCES, CHIEF FINANCIAL OFFICER**
- **CHARLES H. BRENNAN, DEPUTY COMMISSIONER, OPERATIONS**
- **HENRY H. PHILCOX, ACTING CHIEF INFORMATION OFFICER**
- **RICHARD J. MIHELCIC, ASSOCIATE CHIEF COUNSEL, FINANCE AND MANAGEMENT**
- **DAVID M. NUMMY, DEPUTY ASSISTANT SECRETARY FOR DEPARTMENT FINANCE AND MANAGEMENT**

INTRODUCTION OF WITNESS

Senator DECONCINI. Our next panel this morning will be the Internal Revenue Service. Testifying on behalf of the Internal Revenue Service will be Commissioner Fred T. Goldberg.

Welcome, Mr. Goldberg. We know that running an agency as large and complex as the Internal Revenue Service is quite a challenge, to say the least, and I commend you on your first year as Commissioner.

The plans that you have announced for the agency certainly lead Senators to believe that you are taking the job very seriously, and from our discussions, realize that you have some real problems there, not only with retention of people, but just the management needed.

As I am sure you know, Mr. Commissioner, the IRS for this subcommittee, is its largest discretionary account, and there are times that, despite funding needs, the dollars are just not available to fully fund all the initiatives requested by your Service.

For fiscal year 1991, your budget totals $6.1 billion, which represents an increase of $635-plus million over the fiscal year 1990 enacted levels. This is the largest budget in the history of the IRS. The total increase contained in the President's budget for the Department of the Treasury appropriated accounts is $581.6 million.

This total increase does not take into account the very sizable reductions which have been requested for other Treasury agencies, and which this committee may have to restore.

I think this gives you a little better picture of what we are faced with and what we are up against here.

Having said that, I want the record to show that I fully recognize the enormous responsibility you have, and your agency has, and to tell you that this subcommittee plans to do everything it can, as we have in the past, to find the money that has been requested.

But it is going to be the most difficult year—and I don't say that every year—but I really mean it this year, and I hope that we can work it out, and maybe identify some priorities, or maybe through some of your new initiatives we can find a solution to this.

Do you have any opening statement, Senator D'Amato?

STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, I have a statement I will submit for the record. I have several questions, though.

Senator DECONCINI. OK.

[The statement follows:]

STATEMENT OF SENATOR D'AMATO

Good morning, Mr. Chairman. I look forward to reviewing with you, the other members of this subcommittee, and the witnesses from the Internal Revenue Service, the fiscal year 1991 budget request for the IRS. The area I intend to focus on today is IRS's efforts to combat money laundering.

On March 9, I wrote two letters to the IRS seeking information on the efforts made by IRS examiners and IRS criminal investigators to combat money laundering. The answers I received yesterday indicate this is an area in serious need of attention. I ask that my letters and IRS's replies be printed in full and made a part of the record of this hearing.

The following is a summary of my questions and IRS Examinations' answers:

1. How many audits did IRS examiners conduct for compliance with the Bank Secrecy Act (Title 31) and money laundering provisions of Title 18 in 1987 through 1989? Please indicate the number of audits conducted by type of institution audited (e.g., banks, money transmitters, check cashers, etc.).

While Examinations did provide statistics on title 31 compliance checks, they provided no information with respect to Title 18, and they noted: "We are unable to correlate the compliance checks to the types of institutions examined as we do not maintain these statistics."

2. How many referrals for further, and possibly criminal, investigation did IRS Examinations make under the Bank Secrecy Act and the money laundering provisions of Title 18 to the IRS Criminal Investigations Division and to the Treasury Department's Office of Enforcement?

Answer: Examination could provide no hard numbers on its referrals and stated: "We do not maintain statistics that would show how many Examination referrals were accepted for criminal investigation."

3. Finally, I asked how many of these referrals involved a recommendation to seek penalties against financial institutions and/or their officers.

Answer: "Examination does not maintain statistics regarding the penalties recommended * * *."

I indent to work with you, Mr. Chairman, and the other members of this subcommittee—and hopefully in a cooperative way with the IRS—in addressing this issue.

IRS Examinations simply must do more to combat money laundering, and the first step will be to require them to start keeping better track of what they are doing in that area today.

The answers I received from the Criminal Investigation Division are also troubling.

I asked, for example, how many IRS special agent are currently on duty in fiscal year 1990, and how that number compares to the number of agents on duty in fiscal year 1980.

Answer: The number of special agents in 1990 is not much greater than the number of agents in 1980. There were 2,815 special agent staff-years in 1980; and there are 2,945 special agent staff-years in fiscal year 1990. That is an increase of only 130 in 10 years.

At the same time, we have greatly increased the responsibilities of these agents. Mr. Chairman, I think it is time to start giving the Criminal Investigations Division more help. The fiscal year 1991 budget request is a start. It asks for funding for 3,126 special agents. I think providing that level of funding is the least we can do.

I look forward to hearing from Commissioner Goldberg and the other witnesses from the IRS here today concerning these and other issues of vital importance to the IRS. Thank you, Mr. Chairman.

LETTER FROM SENATOR D'AMATO

MARCH 9, 1990.

DAVID G. BLATTNER,
Assistant Commissioner for Examination, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC.

DEAR MR. BLATTNER: In order to prepare for the March 21 hearing of the Senate Appropriations Treasury, Postal Subcommittee, I am seeking information on the efforts made by IRS examiners to enforce the Bank Secrecy Act (Title 31, U.S. Code) and the Money Laundering Control Act of 1986 and the Money Laundering Prosecution Improvements Act of 1988 (Title 19, U.S. Code).

Specifically, I would appreciate answers to the following questions by March 19:

1. How many audits did IRS examiners conduct for compliance with the Bank Secrecy Act and money laundering provisions of Title 18 in each of fiscal years 1987 through 1989? To the extent possible, please indicate the number of such audits conducted by type of institution audited (e.g., banks, money transmitters, check cashers, etc.).

2. How many referrals for further, and possible criminal, investigation did IRS examinations make in each of fiscal years 1987 through 1989 under the Bank Secrecy Act and the money laundering provisions of Title 18 to the IRS Criminal Investigations Division and to the Treasury Department's Office of Enforcement?

3. How many of these referrals involved a recommendation to seek penalties against financial institutions and/or their officers? Please indicate for each of these referrals what penalties were sought and what penalties were imposed.

In addition, I would welcome any suggestions or recommendations you care to make for improving the ability of IRS examiners to combat money laundering and to enforce the Bank Secrecy Act. Thank you for your prompt attention to this matter.

Sincerely,

ALFONSE M. D'AMATO,
United States Senator.

LETTER FROM CHARLES H. BRENNAN, DEPUTY COMMISSIONER, OPERATIONS, INTERNAL REVENUE SERVICE

MARCH 20, 1990.

Hon. ALFONSE M. D'AMATO,
United States Senate
Washington, DC.

DEAR SENATOR D'AMATO: This is in response to your letter dated march 9, 1990, to the Assistant Commissioner (Examination) requesting information on the enforcement efforts by Internal Revenue Service [IRS] examiners regarding the Bank Secrecy Act (Title 21, U.S. Code), the Money Laundering Control Act of 1986, and the Money Laundering Prosecution Improvements Act of 1988 (Title 18, U.S. Code).

Our Examination personnel conduct civil examinations of nonbank financial institutions to ensure compliance with the requirements of the Bank Secrecy Act. These institutions include currency exchanges, casinos, check cashers, transmitters of funds, money order and check issuers and banks or credit unions not subject to Federal regulatory oversight. We are pleased to provide data with respect to the three specific items listed in your letter. For purposes of clarity, we have numbered our information to correspond to the items as numbered in your letter.

1. The number of Title 31 compliance checks (examinations) conducted by IRS (on a fiscal year basis) are: 1987—2,477; 1988—1,988; and 1989—2,625. We are unable to correlate the compliance checks to the types of institutions examined as we do not maintain these statistics.

2. All cases identified in Examination containing potential money laundering violations are referred to IRS Criminal Investigation for evaluation and possible criminal investigation prior to referral to Treasury. We do not maintain statistics that would show how many of these Examination referrals were accepted for criminal investigation. The following table is a summary of Title 31 referrals from IRS to Treasury.

Type of institution	Fiscal year—		
	1987	1988	1989
Check cashers/issuers	2	8	7
Currency exchanges	2	20	9
Credit unions/banks	1		2
Casinos	1	4	2
Individuals on structuring			159
Transmitters/shippers		1	11
Individuals		1	4
Total	6	34	194

3. Examination does not maintain these types of statistics regarding the penalties recommended on referrals to Treasury which has the sole authority to assert, assess, and collect Title 31 penalties.

We hope that this information is beneficial in preparing for the subcommittee's March 21 hearing. At this time, we have no suggestions or recommendations to enhance Title 31 enforcement.

Sincerely,

CHARLES H. BRENNAN,
Deputy Commissioner (Operations).

LETTER FROM SENATOR D'AMATO

MARCH 9, 1990.

INAR MORICS,
Assistant Commissioner for Criminal Investigation, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC.

DEAR MR. MORICS: In order to prepare for the March 21 hearing of the Senate Appropriations Treasury, Postal Subcommittee, I am seeking information on the number of IRS special agents available to enforce the Bank Secrecy Act (Title 31, U.S. Code) and the Money Laundering Control Act of 1986 and the Money Laundering Prosecution Improvements Act of 1988 (Title 18, U.S. Code).

Specifically, I would appreciate answers to the following questions by March 19:

1. How many IRS special agents under the authority of the Criminal Investigations Division are currently on duty in fiscal year 1990?
2. How many such agents were on duty for each of fiscal years 1980 through 1989?
3. How many will be on duty if the fiscal year 1991 budget request is approved?
4. To the extent possible, please detail how many IRS special agents are presently assigned to specific IRS enforcement areas, such as organized crime investigations, and drug and money laundering enforcement.

In addition, I would welcome any suggestions or recommendations you care to make for improving the ability of IRS special agents to combat money laundering and to enforce the Bank Secrecy Act. Thank you for your prompt attention to this matter.

Sincerely

ALFONSE M. D'AMATO,
United States Senator.

LETTER FROM CHARLES H. BRENNAN, DEPUTY COMMISSIONER, OPERATIONS, INTERNAL REVENUE SERVICE

MARCH 20, 1990.

Hon. ALFONSE M. D'AMATO,
United States Senate,
Washington, DC.

DEAR SENATOR D'AMATO: This is in response to your letter dated March 9, 1990, requesting information on the number of Internal Revenue Service [IRS] Special Agents available to enforce the Bank Secrecy Act (Title 31, U.S. Code), the Money Laundering Control Act of 1986, and the Money Laundering Prosecution Improvements Act of 1988 (Title 18, U.S. Code).

The IRS Criminal Investigation has several program emphasis areas directed at enforcing statutes relating to Bank Secrecy Act and money laundering violations. Every special agent on duty could be considered able or available to investigate these violations. However, because of the span of investigative responsibilities assigned special agents, they may be conducting several investigations concurrently consisting of an income tax evasion case, a money laundering case, and an organized crime related case. Special agents allocate and apply their time to each case as the investigation dictates.

For these reasons, the IRS does not track the number of actual special agents that are assigned to specific enforcement areas. Rather, enforcement areas are tracked utilizing special agent staff years, each of which amount to a special agent working full-time for a year.

With this in mind, we provide the following data which is numbered to correspond to your specific questions.

1. The number of IRS special agent (S/A) staff years projected for the current fiscal year (FY 1990) is 2,945 including 215 which are reimbursed by the Department of Justice (OCDETF).

2. The following chart provides the number of IRS special agent staff years realized for each of fiscal years 1980 through 1989:

Fiscal year	*Special agent staff-years*
1980	2,815
1981	2,751
1982	2,685
1983	2,593
1984	2,790
1985	2,821
1986	2,800
1987	2,715
1988	2,878
1989	2,995

3. The number of IRS special agent staff years projected for fiscal year 1991 is 3,126 including 327 staff years which are to be reimbursed by the Department of Justice (OCDETF).

4. The following chart provides the number of IRS special agent staff years realized for fiscal year 1989 and the projected figures for the present fiscal year (FY 1990) in the specific areas of Total Narcotics, Organized Crime Drug Enforcement (OCDETF), and Money Laundering:

Enforcement area	Fiscal year— 1989	Fiscal year— 1990 [1]
Total narcotics	931	908
OCDETF	496	500
Money laundering	411	514

[1] Projected figures.

We appreciate your offer for recommendations and suggestions on ways to improve the ability of IRS special agents to combat money laundering. Recently, we have provided several recommendations relating to our undercover operations and to reports filed under Section 6050I of Title 26, U.S. Code. These recommendations have been forwarded through Treasury to Morgan P. Hardiman of your staff.

We hope you find this information beneficial in your preparation for the subcommittee's March 21 hearings.

If there are any questions regarding this matter, please feel free to contact me.

Sincerely,

CHARLES H. BRENNAN,
Deputy Commissioner (Operations).

INTRODUCTION OF ASSOCIATES

Senator DECONCINI. Commissioner, do you want to introduce your people here? I know some of them.

Mr. GOLDBERG. Yes, Mr. Chairman; it is a pleasure to be here today.

With me are Mike Murphy, our Senior Deputy Commissioner; John Johnson, our Deputy Commissioner for Planning and Resources and Chief Financial Officer; Charly Brennan, who is our Deputy Commissioner for Operations; Hank Philcox, who is our acting Chief Information Officer; Rich Mihelcic, who is the Associate Chief Counsel for Finance and Management; and also joining us is David Nummy, the Department's Deputy Assistant Secretary for Departmental Finance and Management.

PREPARED STATEMENT

With your permission, I would like to submit my written statement on our proposed budget for the record.

Senator DECONCINI. It will be part of the record.

[The statement follows:]

STATEMENT OF FRED T. GOLDBERG, JR.

I appreciate my first opportunity to appear before this subcommittee today as Commissioner of the Internal Revenue Service to discuss our FY 1991 budget. Having served previously as both an assistant to the Commissioner and IRS's chief counsel, I am well aware of the important role this subcommittee has played in ensuring effective and fair tax administration.

With me are Mike Murphy, Senior Deputy Commissioner, John Johnson, our new Deputy Commissioner for Planning and Resources and Chief Financial Officer, testifying for the first time before this subcommittee, Charly Brennan, Deputy Commissioner for Operations, Hank Philcox, Acting Chief Information Officer, and Rich Mihelcic, Associate Chief Counsel for Finance and Management. Also joining us is David Nummy, the Department's Deputy Assistant Secretary for Finance and Management. With your permission, Mr. Chairman, I'd like to submit my written statement on our proposed 1991 budget for the record and take a somewhat different focus in my opening remarks. We will of course be available to respond to any questions you or the other members may have at the conclusion of my prepared statement.

Mr. Chairman, during my confirmation hearing last July, I identified the need to establish greater control over, and accountability for, IRS budget formulation and execution as one of our top priorities. Eight months on the job has convinced me that this focus was well placed. If anything, I underestimated the critical importance of this area—and failed to appreciate the vast improvements necessary to fulfill our responsibilities to the administration, the Congress, and our Nation's taxpayers.

While a great deal more must be accomplished in the years ahead, we have made progress on a number of fronts. In particular:

—We are making a number of changes within the IRS that will improve the way we formulate and execute our budgets, and assure accountability at each stage of the process.

—We propose restructuring our appropriation to assure "truth in packaging" to better "connect" the funds we are appropriated with our diverse tax administration activities.

—Our proposed budget for fiscal year 1991, coupled with management initiatives we have under way, represents a first step towards restoring the long-term health of our tax system.

FISCAL YEAR 1990 CONCERNS

The focus of this hearing is on our proposed budget for 1991. Nonetheless, I believe that the best way to begin is by reviewing what has taken place during the past ten years and to describe the challenges facing our tax system during the decade of the 1990's.

Between 1981 and 1990, the number of tax returns filed will have increased from 160 million to 190 million (a growth of 20 percent); the number of information documents filed will have increased from 600 million to 1.2 billion (a growth of 200 percent); and we will have implemented annual changes in the tax law involving 2,381 code sections—changes that have required substantial modifications to all of our existing forms and instructions, the creation of 81 new forms, significant annual computer programming changes, and material revamping of training programs throughout the Service.

IRS resources have grown from a 1981 budget of $2.5 billion providing for almost 85,000 staff years to $5.5 billion and 115,000 staff years in 1990 (120 percent in nominal dollar terms, and a growth in staff years of approximately 35 percent.)

While our budget has grown, IRS has faced a real problem of a widening disparity between the total budget available and actual costs of a variety of functions. These increases resulted from a combination of factors: Natural growth in the tax paying population, that ultimately affects every program we operate; legislated pay raises; higher labor expenditures that we decided to pay to recruit and retain qualified personnel in highly competitive labor markets; escalating health and retirement costs; inflationary increases in other costs of employee support; increasing cost of technology, and inflationary increases by other agencies (GSA, NARA).

Throughout 1988 and 1989, with your help, we took the steps necessary to address deficits that arose from these factors.

In FY 1990, some of these factors remain in play and, due to the required absorption of the current pay increase and sequestration, we have had to delay certain components of revenue and information systems initiatives. Although these adjustments will also impact our taxpayer service program somewhat, processing tax returns and issuing refunds will not be affected. Moreover, despite sequestration, the FY 1990 budget funds almost a six percent increase over FY 1989 levels, including an 84 percent increase in the critical Tax System Modernization Program. We expect the filing season now under way to be a successful one.

We have had to make difficult decisions for 1990 to assure that our costs do not exceed our budget. A partial or complete hiring freeze is in place for most of our programmatic activities. A partial freeze on promotions has been in effect since November and cutbacks have been made in support areas which cannot be sustained for the long term.

The budget for 1991 is a good budget. It provides the funding necessary to alleviate shortfalls, address structural imbalances, and properly fund IRS operations while making investments toward a long range plan of improving the tax system.

We must not forget, however, that the uncertain environment we operate in can create a fiction. Costs continue to rise unexpectedly. Possible increases in such areas as space charges, telecommunications and postal rates are not entirely addressed in this budget. These are costs which we cannot budget for but may, if historical patterns prevail, have to be addressed in 1991.

MANAGEMENT INITIATIVES IN BUDGET FORMULATION AND EXECUTION

Mr. Chairman, as I will describe shortly, our proposed budget for 1991 will permit us to lift the hiring and promotion freezes we have been under since last year, will begin restoring much needed programmatic efforts across the board, will reduce the persistent gaps between our budgets and the actual allocation of that budget, and will begin to invest in the long-term health of our system. At the same time, however, we must improve the way we formulate and execute our budgets. To this end, we have taken a number of steps and have a number of initiatives under way. Before turning to the budget itself, I would like to describe briefly some of these efforts.

ORGANIZATIONAL CHANGES

As a preliminary matter, we have created the position of Chief Financial Officer at the Deputy Commissioner level and are establishing the Office of the Assistant Commissioner (Finance)/Controller. These changes comport with long-standing recommendations by the General Accounting Office and bring our organizational structure in line with large commercial enterprises. Budget formulation and execution is of paramount importance in the private sector; it should be a similar priority in the public sector.

Our expectation is that the CFO and the Controller will introduce an appropriate measure of internal challenge and function as "honest brokers" in the budget formulation process. From the outset, they will assume responsibility for financial accounting functions; over time, they will also assume responsibility for revenue accounting. With respect to the former, I am pleased to report that we have recently put in place the budget execution module of our financial reporting system. For the first time, we have a decent fix on how we have spent and obligated our funds shortly after those expenditures and obligations take place; it no longer takes two or three months to learn where we were two or three months ago. We are now developing methods to project short and long term costs, and will be implementing the financial accounting module of our financial accounting system over the next fifteen months.

CHANGING THE WAY WE DO BUSINESS

We are changing the way we formulate and execute our budgets in two important respects. First, we will be instituting a series of internal budget "hearings" prior to submitting our initial budget requests to the Treasury Department and the Office of Management and Budget. The purpose will be to assure, from an agency-wide perspective, that we are comfortable with—and can effectively justify—the amount and allocation of the funds we are seeking.

Second, in the spirit of the times, we are dismantling the wall that has separated our financial and operational activities. Historically, our so-called "plan managers" (regional commissioners, assistant commissioners, and the like) have been responsible for delivering the programs we administer—programs ranging from returns processing, information systems development and taxpayer service to examination, collection and criminal investigations. They generally have not been held accountable for the budgetary side of their operations. Under a program we started this year, and will fully implement for 1991, plan managers will be accountable for—and will have authority over—their financial operations as well as their programs. As we do a better job of tying together the funds we spend and the program we deliver, I am confident that we will make far better use of our resources.

COST CONTROL AND QUALITY DRIVEN PRODUCTIVITY MEASURES

As I indicated, much growth in our direct and indirect payroll costs has been wholly appropriate and should have been anticipated. At the same time, however, some of the increases in our direct and indirect payroll costs, as well as our space-related costs, were handled inefficiently or simply unanticipated. Working closely with our colleagues at Treasury and OMB, we have a number of management initiatives under way to curb unnecessary growth in these areas while fully protecting the rights and opportunities of our rank and file employees. I believe that we are already making headway, and that our efforts will yield significant cost containment dividends down the road.

More generally, we must halt the decline in our productivity; we simply must reverse this trend of the past several years. I want to emphasize, however, that the cornerstone of this effort is our investment in quality—in doing the job right the first time. Quality experts agree that private sector concerns spend twenty to thirty percent of their resources on rework—fixing their mistakes. We are no different. Working in partnership with our colleagues in the National Treasury Employees' Union, we are investing heavily in the quality process. Similar efforts have shown great returns in the private sector—companies like Xerox, Ford, Motorola, and others are living proof. The service will realize much greater savings in the years ahead—savings that translate directly into quality-driven productivity gains.

APPROPRIATION RESTRUCTURE

As proposed by my Chief Financial Officer and the Deputy Assistant Secretary, we have developed a new budget account format for fiscal year 1991 to better align our accounts and provide a greater degree of accountability.

The President's budget contains the proposed appropriation restructuring for the Internal Revenue Service. Four appropriation accounts are proposed:

—Administration and management replaces the salaries and expenses appropriation that inadequately addressed the full array of responsibilities pertaining to executive oversight, especially in the context of growing congressional concerns about ensuring organizational integrity.

—Processing tax returns and assistance focuses almost exclusively on those tax administration functions related to voluntary compliance with the tax laws, including the processing of returns and reports, and on assistance of taxpayers in their effort to comply with the law.

—Tax law enforcement presents the operating cost of directly enforcing the tax code, and of IRS money laundering enforcement functions, including the processing of currency transaction reports which are used to detect money laundering schemes.

—Information systems consolidates and makes explicit all IRS information systems research, development, and operating costs, departing from the past where some of these costs were embedded in program budget activities.

OUR FISCAL YEAR 1991 BUDGET REQUEST

Mr. Chairman, I believe that our income tax system as we know it is at the crossroads. Our laws, regulations and administrative procedures—coupled with our outmoded computer systems—are placing an intolerable burden on the American public. Without question, the greatest challenge of the coming decade is to make the system more workable for the tens of millions of taxpayers who are willing to pay what they owe, but cannot abide the complexity, uncertainty and administrative hassles they face in complying with the law and in dealing with the IRS.

At the same time, we face an annual tax gap of $80 to $100 billion dollars and carry more than $80 billion dollars of accounts receivable on our books. When measured against the more than one trillion dollars we do collect each year, this may not sound like much. But it is—particularly when measured against our hundred billion dollar deficits. We simply must do a better job of closing the tax gap, and collecting unpaid taxes.

Our proposed 1991 budget properly and effectively addresses these twin concerns. We have worked closely with our colleagues at Treasury and OMB in putting our 1991 budget together. I assure you that all of us appreciate the vital importance of tax administration, its many accomplishments and shortcomings, its difficulties of the past several years, and the challenges that lie ahead. In brief:

1. *Tax processing and taxpayer service.*—The budget funds an 80 percent level of taxpayer service to the public and strengthens our efforts to improve the accuracy of responses to taxpayers' questions. The 1991 budget will continue support to tax processing levels required to ensure that tax returns are processed accurately and refunds are issued timely. It will also permit us to pursue numerous efforts we have under way to ease the burden on taxpayers throughout the country—efforts that include a modified short form 1040A for use by taxpayers with retirement income; assistance to non-English speaking taxpayers; assistance to the physically disabled; aggressive implementation of the taxpayer bill of rights; electronic filing; Tele-Tin; improved correspondence and expanded one stop service.

2. *Enforcement activities.*—The budget will permit us to lift the current hiring freeze in our enforcement functions. It also provides $191 million in new funding for compliance initiatives to expand collection and examination activities. I want to emphasize that these initiatives represent the growth we can prudently manage and absorb during 1991. No more, no less. The first year of this investment will bring in $537 million that would otherwise go uncollected. The initiatives will help slow the growth in accounts receivable and reverse the steady decline in audit coverage. Of equal importance, they are an integral part of our long-term strategy to enhance our enforcement efforts.

IRS continues to be a major partner in efforts to combat drug abuse. Last year this subcommittee supported additional funds for IRS's criminal investigation activities and further amounts were added through the Transportation Appropriation Act to support enforcement of Federal tax violations and money laundering related to illegal narcotics activity. These amounts have directly strengthened our program efforts, providing basic funding for a program of high priority to IRS and the Nation.

3. *Tax system modernization.*—As you are aware, Mr. Chairman, tax systems modernization is one of the Service's major initiatives. The President has selected the modernization of tax administration as a presidential management objective for his administration. The President's budget fully funds the FY 1991 increment for this long term effort. We have structured our 1991 proposals to emphasize those most necessary to meet capacity demand and to provide more responsive service to the public.

We do not have to wait to realize gains from our efforts. Modernization is already showing benefits. For example:

—Taxpayers in all 50 States can now take advantage of filing their returns electronically. Returns filed in this manner are much less likely to contain taxpayer errors. This advantage in data input quality reduces unnecessary correspondence with taxpayers and works to speed refunds. Compared to this time last year, there has been an increase of 300 percent in the number of taxpayers filing electronically. Over 3 million taxpayers have filed electronically this year.

—Our on-line entity project is being implemented in all ten service centers this spring. It verifies certain return information as soon as it is processed, improving the accuracy of taxpayer identification information before posting it to the master file of taxpayer accounts. The net result is fewer erroneous notices and levies that cost both IRS and taxpayers time and money to resolve, and allows us to devote resources to truly delinquent accounts.

—Additional capabilities will start to come into place this fiscal year. Taxpayer accounts will be resolved faster through direct linkage of account data in IRS systems. During 1990, we will implement the first phase of a pilot of the automated underreporter system, which when fully implemented will provide assistors and examiners nationwide with more immediate access to case information. With this system, we will be able to respond to inquiries quicker, both before and after notices are issued.

—Receipt of taxpayer correspondence will be recorded in a more timely fashion preventing automatic generation and mailing of additional, often unnecessary notices to taxpayers. Fewer notices mean fewer letters from taxpayers.

When fully implemented, the new system will allow faster access to account information currently maintained on taxpayers. It will enable us to resolve taxpayers' inquiries and settle their accounts faster, while also providing field personnel with more timely information to determine appropriate collection action. An example is a project that will allow our district office employees to have access to the latest and most accurate account data, information not now available on automated collection system terminals.

We are currently revamping our revenue accounting system to provide an on-line, real-time accounting control and management information system. The first phase of this system will provide an allowance for doubtful accounts, capture accrued penalties and interest, and relate the information to amounts collected. We are already preparing reports to capture and analyze this data before incorporating it into the future financial structure. Existing hardware has been upgraded to accommodate interim hardware and extend the useful life of the system until a new system is operational.

Our budget request incorporates plans to assure effective delivery in the Taxpayer Service Program. Previously initiated efforts to achieve higher levels of accuracy and responsiveness in the toll-free program will continue. We are also relying more heavily on our Tele-Tax Program. By IRS changing the access provisions of the Toll-Free Program, taxpayers seeking tax law or procedural information can first be encouraged to proceed through a menu of pre-recorded messages of assistance. This will help move our Toll-Free Assistance Program toward an optimum mix of recorded and personal assistance, recognizing the need for live assistance for the more complex questions and for individual account matters.

Two pilot tests are currently underway in Dallas and Boston. The Dallas test incorporates a "reference-based" system to improve accuracy. In Boston, an expert, or knowledge-based system is being tested that prompts taxpayer assistors with appropriate questions, provides additional detailed explanations, performs calculations, and generates a conclusion based on specific information given by the taxpayer. Taxpayers will receive more accurate and complete information, reducing the number of times they have to call back IRS for additional information in order to complete accurate returns. Fewer calls will have to be forwarded to specialists by front line assistors, allowing those specialists to concentrate on more complicated taxpayer questions.

4. *Maintaining IRS integrity.*—Maintaining integrity of IRS operations is a key element in preserving confidence in our administration of the tax laws and is fundamental to our system of voluntary compliance. Our budget request substantially expands IRS's inspection service in three critical areas: Internal audit reviews of new program implementation at regional, district, and service center offices; systems development audit reviews of the design and implementation of major ADP systems; and integrity reviews that probe high risk areas of IRS operations and test transactions to detect fraud or integrity breaches.

Our audit and investigative resources are up over 10 percent in 1991 in order to assure that programs and personnel adhere to the highest standards of performance and conduct.

5. *Management initiatives.*—The 1991 budget contains the first year of a long-term investment that includes high priority management initiatives designed to collect in FY 1991, $3 billion in additional revenue owed the Government while strengthening voluntary compliance. These initiatives will provide over $9 billion in additional tax revenue through FY 1995.

Of the additional $3 billion that will be generated in FY 1991, $2.5 billion results from management initiatives which require no new resources from the Congress. These management initiatives in conjunction with our overall FY 1991 budget request represent a new approach to how we conduct business. We will redeploy existing staff to accelerate the closing of large dollar cases and overage shelter backlogs, and resolve critical excise tax and pension plan issues. Methods we are using to achieve this goal include approaches such as streamlined examinations and appeals processes and identification and resolution of common issues of large dollar impact.

CLOSING REMARKS

I believe our tax system is a world leader, yet we continually confront new challenges to maintain and enhance our systems. We cannot face these challenges alone. We must deliver on our commitments to high quality and responsive service to the American taxpayer. We must successfully modernize our computer systems. We must simplify the tax system. While the Tax Reform Act of 1986 greatly eased the compliance burden for many millions of individuals, complexity and uncertainty still face many taxpayers.

While the administration and Congress have generally called for staffing increases in our budget each year, the actual allocation of our staffing increases, what we have "realized" for each program in budget terminology, is not the same. There are many reasons for this variance, ranging from the budget process itself to IRS shortcomings in how we have managed our growth. The challenge for us is to better plan for the long term. Increased staffing in response to the natural growth in our tax administration mission is certainly part of the answer, but so are improved management and better use of our resources.

While the IRS is committed to aggressively pursuing non-compliance, we are at the same time committed to maintaining taxpayer confidence in the fairness of the tax system. Indeed, this confidence is the bedrock of voluntary compliance. In dealing with the public, we must be respectful, and must take into account such things as taxpayers' inability to pay and honest mistakes. And we must do everything we can to avoid making taxpayers the victims of our own mistakes, our outmoded computer systems, and needless complexities in the law.

I recognize the difficulties you face in addressing our needs among the competing needs across the Government. The decisions that must be made are not easy. That is why we have considered our request seriously. It is essential that our budget base be fully funded.

I look forward to working with you, Mr. Chairman, and the members of the subcommittee to reach the objective we all share—an effective and adequately balanced tax administration system. I would be happy to answer any questions you or the members of the subcommittee may have.

BIOGRAPHICAL SKETCHES

FRED T. GOLDBERG, JR.

Fred T. Goldberg, Jr. was sworn in as Commissioner of the Internal Revenue Service July 5, 1989.

A native of St. Louis, Missouri, Mr. Goldberg received a bachelor's degree in economics from Yale University in 1969, and a law degree from Yale Law School in 1973, where he was editor of the Yale Law Journal. During 1971-73, Mr. Goldberg served as an instructor in political science and economics at Yale College and also as an assistant dean of Calhoun College at Yale University.

Prior to joining the IRS in 1981 as an assistant to the Commissioner of IRS, Mr. Goldberg was a partner in the Washington office for Latham, Watkins & Hills. He served as assistant to the Commissioner from 1981 to 1982 and was acting director of the former legislation and regulations division in the Office of Chief Counsel in 1982.

Mr. Goldberg served as the IRS Chief Counsel from 1984 to 1986, the principal legal advisor to the Commissioner of Internal Revenue and Assistant General Counsel for the Treasury Department. Prior to accepting his current position, he was a partner in the Washington office of the law firm of Skadden, Arps, Slate, Meagher & Flom.

Mr. Goldberg and his wife Wendy have four children.

JOHN D. JOHNSON

John D. Johnson was appointed the Internal Revenue Service's Deputy Commissioner (Planning and Resources)/Chief Financial Officer in December 1989.

As chief financial officer, Mr. Johnson is responsible for the development and oversight of the IRS budget, establishment of financial policies, and the standards and controls over IRS financial systems. In his capacity as deputy commissioner, he is the principal advisor to the Commissioner on strategic management, human resources and facilities management, and organizational planning.

Mr. Johnson began his government career in 1956 with the Department of the Army and later worked for the Office of Economic Opportunity, before joining the IRS in 1970. He held various positions in the IRS National Office of Washington before becoming assistant regional commissioner for accounts, collection, and taxpayer service in 1974 for the IRS Western Region.

After completing the IRS executive selection and development program in 1979, he was named director of the Honolulu District in 1980 and in 1983, became the director of the Boston District. He was named assistant commissioner for planning, finance and research in 1987, the position he held until his present appointment.

A native of Baltimore, Maryland, Mr. Johnson attended Siena College in Loudonville, New York and George Washington University in Washington, D.C. He is married to the former Dorothy Sengebush of Saugerties, New York. They have six children, John, Paul, Kathleen, Christine, Mary, and Rudolph.

FINANCIAL ACCOUNTABILITY

Mr. GOLDBERG. I will take a different focus in my opening remarks.

Mr. Chairman, during my confirmation hearings last July, I identified the need to establish greater control over, and accountability for, IRS budget formulation and execution as one of our top priorities.

Nine months on the job has convinced me that this focus was well placed. If anything, I underestimated the critical importance of this area, and failed to appreciate the vast improvements necessary to fulfill our responsibilities to the administration, to the Congress, and to our Nation's taxpayers.

While a great deal more must be accomplished in the years ahead, we have made progress on a number of fronts. We are making a number of changes within the IRS that will improve the way we formulate and execute our budgets, and will assure accountability at each stage of the process.

We propose restructuring our appropriation to assure truth in packaging, to better connect the funds we are appropriated with our diverse tax administration activities.

Our proposed budget for fiscal 1991, coupled with management initiatives we have under way, represents a first step toward restoring the long-term health of our tax system.

BACKGROUND TO 1991 BUDGET

Now, the focus of the hearing is on our proposed budget for 1991. Nonetheless, I believe that the best way to begin is by reviewing what has taken place during the past 1[illegible] years, and to describe the challenges facing our tax system during the decade of the 1990's.

Between 1981 and 1990, we witnessed a substantial growth in both the magnitude and the complexity of our tax system. Returns filed grew 20 percent, from 160 to 190 million. Information documents filed doubled, from 600 million to 1.2 billion.

Changes to the tax law involving 2,381 code sections required major modifications to all existing forms and instructions, the development of 81 new tax forms, annual reprogramming of our computer systems, and annual servicewide training to keep up with the new law.

Over this same period, the administrative environment has also changed dramatically. We have had cumulative pay increases of 40 percent; health and retirement costs have increased by approximately 200 percent, and 90 percent, respectively.

Costs to recruit qualified personnel in competitive labor markets, and increases in other employee support costs, have spiraled.

Costs of maintaining our obsolete computer equipment have started to skyrocket, just as we have started investing in the long-term modernization of our computer systems.

Last but not least, other Federal agencies—notably, the General Services Administration, the National Archives and Records Administration, and the Postal Service—have passed along significant inflationary cost increases.

Now, it is clear that our resources have grown substantially. Our budget increased from $2.5 billion and 84,700 staff-years in 1981 to $5.5 billion and a projected 115,000 staff-years for 1990. This is 120 percent growth, in nominal dollar terms, and a growth in staff-years of approximately 35 percent.

Rapid growth is hard on organizations, and we have not managed ours as well as we would have liked. Much of the increase in personnel costs was anticipated; some of that increase was handled inefficiently or was simply unanticipated.

We have accomplished a great deal in many programmatic areas, but have witnessed productivity declines in our traditional enforcement functions. Some of our difficulties have resulted from the budget process itself.

In other respects, the problems are of our own making. The absence of steady growth rates has only made matters worse; our budget increases fluctuated wildly during the 1980's, from a high of 14 percent in 1987 to a low of less than 3 percent this current year.

In any case, we have experienced greater than budgeted personnel cost increases, slower than anticipated attrition, and greater than budgeted space costs and equipment maintenance costs during the past 5 years.

For the past 16 months we have been paying the piper. We have had a partial or complete hiring freeze in most of our programmatic activities that will not be lifted for months to come—a freeze that has caused significant, long-term damage to the health of our tax system.

We have had a partial freeze on promotions throughout the Service since last November—a freeze that undermines tax administration, and is unfair to our employees.

We have made programmatic cutbacks that will remain in place for months to come—cutbacks that have cost, and will continue to cost, hundreds of millions of dollars in lost revenue, cutbacks that have reduced our level of service to taxpayers this season.

We have faced gross structural imbalances in our budget—a continuing failure to invest in our future, a failure to provide our employees with the training and tools they need to do their jobs properly.

STRUCTURAL IMBALANCES

By way of elaborating on the structural imbalance point, I would like to address the subcommittee's attention to the chart that is displayed to my left, and what that chart shows is various expenditure categories.

[The chart follows:]

INTERNAL REVENUE SERVICE: STRUCTURAL IMBALANCE, FISCAL YEARS 1989 AND 1990

[Dollar amounts in millions]

Expenditure category	Amount reflected in budget approved by Congress and signed into law	Amount actually spent	Actual exceeds (less than) budget by
Direct and indirect payroll costs	$7,339	$7,830	$491
FTE—positions	229,396	229,850	454
Rent of space expense	$708	$761	$53
Communications	$466	$413	($53)
Training	$181	$121	($60)
Travel	$220	$176	($44)
Discretionary space improvements	$114	$60	($54)
ADP operations	$670	$503	($167)
Other (printing, postage, supplies, services, expert witnesses, et cetera)	$997	$831	($166)

BUDGET APPROVED BY CONGRESS

Mr. GOLDBERG. The first column of numbers shows the amounts that we were to spend——

Senator D'AMATO. I am sorry—he is being very outspoken, this is terrific. You are the only guy I have seen in all these hearings who gets up and calls it the way it is.

Mr. GOLDBERG. Well, they pay me to say what I think.

Senator D'AMATO. Well, that is why I just asked my colleague here, whether you are appointed for tenure, or are you at somebody's pleasure? I mean, this is outspoken.

Mr. GOLDBERG. They have the rail and bucket of tar over there by the door.

Senator D'AMATO. Poor Mr. Nummy over there, he is, like, shrinking in the back there. [Laughter.]

Mr. GOLDBERG. David likes this stuff, as long as I am saying it.

Senator D'AMATO. Yes. [Laughter.]

Mr. GOLDBERG. Now, this first column represents the budget's expenditures. The Congress and the President——

Senator DECONCINI. Mr. Nummy, would you mind moving your chair back there? Nothing personal. [Laughter.]

Mr. GOLDBERG. Get a new chair, David, and now we can get down to it.

Senator DECONCINI. You can even come and sit over here if you like. That is fine, thank you.

Mr. GOLDBERG. Does he get to vote?

Senator DECONCINI. Well, I don't want to go that far.

Mr. GOLDBERG. Now, that first column represents the budget that this Congress approved, and the President signed into law. Now, these are cumulative numbers for fiscal years 1989 and 1990.

So, for example, Senator, Congress approved and the President signed into law that we spend about $7.3 billion combined on direct and indirect payroll. Now, the next column shows you what we actually spent, and the third column shows you the difference.

So we spent $500 million more on payroll than the amount reflected in the approved budget, as signed into law, said we were going to spend. We hired a grand total of 454 more people.

Senator DECONCINI. How could you do that?

Mr. GOLDBERG. Because our payroll costs, Senator, are way out of line. They are much higher than what our budgets say they are. Our payroll costs go up at a rate of 8.5 percent a year.

Senator DECONCINI. You don't need authority to do that, or do you have authority to do that now?

Mr. GOLDBERG. Well, no, we have to pay for it, Senator.

Senator DECONCINI. I see.

Mr. GOLDBERG. And here is what we had to do. What we did is, we paid—well, our space and rent costs were $53 million more than we had budgeted—how did we pay for it?

We cut our communications expenditures by $53 million, we cut our training by $60 million. That means we spent $60 million less on training our people than you all thought we should spend. We spent $44 million less on travel, $54 million less on discretionary space improvements, which are the offices our folks live and work in.

We spent nearly $170 million less on ADP operations, and we spent $166 million less on printing, postage, supplies, services, expert witnesses, and the like.

ADDITIONAL HIRES

Senator DECONCINI. Well, let me ask a question.

Mr. GOLDBERG. Yes, sir.

Senator DECONCINI. The additional 454 people that you hired, those were actually new bodies, who are working today?

Mr. GOLDBERG. Yes.

Senator DECONCINI. After attrition, people leaving and what have you?

Mr. GOLDBERG. That is net new additional bodies.

Senator DECONCINI. That is net new additions. And you did that by—you must have had authority to do it.

Mr. GOLDBERG. Well, what happened was——

Senator DECONCINI. I mean, if you just took money from other places——

Mr. GOLDBERG. Well, it is not—those 454 bodies did not cost $491 million.

Senator DECONCINI. Yes.

Mr. GOLDBERG. What happened is, we over realized our staff-years in 1989, which means we have more bodies.

Senator DECONCINI. OK.

Mr. GOLDBERG. Our attrition wasn't as fast as we thought.

Senator DECONCINI. Wasn't as fast—I see.

Mr. GOLDBERG. So we have a hiring freeze that has brought our staffing down, and in 1990 we will under realize on our staff-years.

Senator DECONCINI. You will?

Mr. GOLDBERG. Relative to what the budget said we should be shooting for, so that is several thousand people less than you think we ought to have.

Senator DECONCINI. I see. OK, go ahead.

BUDGET SHORTFALL

Mr. GOLDBERG. Now, I want to emphasize that these gaps here, they don't reflect a difference between our fantasy, our wishful thinking, and prudent expenditure levels. All of these gaps—the shortfall in training, the shortfall in supplies, the shortfalls in travel—reflect the difference between what you and your colleagues, and the President of the United States, signed into law and what we spent.

MANAGEMENT INITIATIVES

Now, our proposed budget for 1991 will permit us to lift our hiring and promotion freezes, it will permit us to begin restoring much needed programmatic efforts, it will reduce the persistent gaps between our budget and our reality, and it would begin an investment in the long-term health of our system.

At the same time, I want to emphasize that we must improve the way we formulate and execute our budgets. To this end, we have taken a number of steps, and have a number of initiatives under way.

These actions have ranged from major organizational changes—for the first time we have a Chief Financial Officer and a Controller at the Internal Revenue Service—to the restructuring of our appropriation accounts.

These changes range from successful implementation of a budget execution module of our financial accounting system, that now lets us know what we spend as we spend it, to the ongoing implementation of a financial accounting module; from strengthened internal budget review procedures to dismantling the wall that has separated accountability for the financial and operational sides of our activities.

And they have ranged from ongoing development of cost control measures to aggressive pursuit of quality-driven productivity gains.

In the aggregate, I am confident that these efforts will assure greater accountability and far better use of our resources in the years ahead.

FISCAL YEAR 1991 BUDGET REQUEST

Mr. Chairman, I believe that our income tax system, as we know it, is at the crossroads. Our laws, our regulations and our administrative procedures, coupled with our obsolete computer systems, are placing an intolerable burden on the American public.

Without question, the greatest challenge of the coming decade is to make the system more workable for the tens of millions of taxpayers who are willing to pay what they owe, but cannot abide complexity, uncertainty, and the administrative hassles they face in complying with the law, and in dealing with the IRS.

At the same time, we face an annual tax gap of $80 to $100 billion, and carry $80 billion of accounts receivable on our books. When measured against the more than $1 trillion we collect each year, it may not sound like much, but it is—particularly when measured against $100 billion deficits.

We simply must do a better job of closing the tax gap, and collecting unpaid taxes.

Senator DOMENICI. Mr. Chairman, might I ask a question?

Senator DECONCINI. Certainly.

Mr. GOLDBERG. Yes, sir.

ACCOUNTS RECEIVABLE VERSUS TAX GAP

Senator DOMENICI. Commissioner, when you refer to that $80 billion, that is not the so-called underground economy. You are talking about accounts receivable——

Mr. GOLDBERG. Yes, sir; well, unfortunately the two numbers have—there is an $80 billion tax gap, which is legal sector, taxes folks don't report and we have to audit for.

Senator DOMENICI. Yes.

Mr. GOLDBERG. There is a separate $80 billion accounts receivable number where we believe the amount is determined and the taxpayers owe. Now, as I have testified before, all of that $87 billion is not due and owing, it is not collectable, but our best judgment is $40 billion of that amount is collectable, and should be collected.

Senator D'AMATO. Do you really think, of the $80 billion that is due and owing that about half is collectable?

Mr. GOLDBERG. Yes, sir; of the accounts receivable, absolutely.

Senator D'AMATO. Yes; the accounts receivable.

Mr. GOLDBERG. Yes, sir; no question about it.

Senator DOMENICI. I would have thought more.

Mr. GOLDBERG. So between the two of you, there is where I am.

Senator D'AMATO. Senator Domenici has been aghast at the fact that here we have this fund source——

Mr. GOLDBERG. We collect that money over time, and like any business, you are going to have an inventory of accounts receivable. The question is, if we can get that $40 billion down to $25 or $30 billion, that is $10 billion we are putting in the pocket each year.

Senator DOMENICI. The problem is, Senator D'Amato, the number is $87 billion—he just happened to use $80 billion for both—I think it is $87 billion in receivable, isn't it?

Mr. GOLDBERG. Yes, sir.

Senator DECONCINI. $84 billion, is it not? It is $84.9 billion, is that right?

Mr. GOLDBERG. Yes.

Senator DOMENICI. $84.9 billion is the right number?

Mr. GOLDBERG. It is real important—two separate numbers.

Senator DOMENICI. I understand.

Mr. GOLDBERG. There is the tax gap number, which is folks who overstate deductions, or don't report their income.

Senator D'AMATO. That is the $80 billion figure?

Mr. GOLDBERG. That is the $80 to $100 billion number that we used as the gross tax gap. Legal sector. That is not illegal. That is not drug money.

There is a separate number which is accounts receivable, which is the $87 billion——

Senator D'AMATO. You have already got judgments and what not?

Mr. GOLDBERG. Which is the $87 billion, where we have assessed the tax, or we settled a case and are waiting for the taxpayer to pay the money, or the taxpayer files a return and says, I owe you $2,000, but I am only sending you $1,100. It is that kind of stuff that is in the accounts receivable.

So those are two different numbers, and you need to think about them separately.

Senator DOMENICI. Mr. Goldberg, I got the $87 billion from your testimony here.

Mr. GOLDBERG. Yes, sir; that is right. That is the accounts receivable, now.

Senator DOMENICI. Which is now $84.9 billion?

Ms. LYNCH. No; that is accounts receivable.

Senator D'AMATO. Gross legal sector tax accounts.

Mr. GOLDBERG. I would give anything if one was in the 1980's and the other was in the 1970's, so we could talk about it more easily.

Senator DOMENICI. So this is the gap.

Mr. GOLDBERG. $87 billion is accounts receivable; the $84 billion is the tax gap.

Senator D'AMATO. Oh, OK.

Mr. GOLDBERG. Now, our budget, I believe——

TREND IN ACCOUNTS RECEIVABLE

Senator D'AMATO. Could I interrupt?

Mr. GOLDBERG. Yes, sir.

Senator D'AMATO. Take that $87 billion, which is the accounts receivable—does that figure state fairly—at the same level—next year will it be about $87 billion? How does that work out?

Mr. GOLDBERG. Yes; over the last several years—and Charly, correct me—in 1984 and 1985 it was growing at 25 or 30 percent a year, and obviously that troubled a lot of folks. Since the mid-1980's it has been growing at about 6 or 7 percent a year.

Mr. BRENNAN. The last 3 years.

Mr. GOLDBERG. The last 3 years it has been growing at 6 or 7 percent a year. So, all else equal, we would expect it to go up another $5 or $6 or $7 billion next year.

Senator D'AMATO. I just wanted to get an idea as to how much it would be.

CRITICAL CHALLENGES FACING IRS

Mr. GOLDBERG. Yes; I believe our budget addresses both of these concerns, and I think talking about revenue and the tax gap is real important. But as I said, I think the most critical challenge we face is making it easier on the American public, and I think we need to address both of those.

Now, I know you have heard the line before. Commissioners come up here, and they sit here, and they kind of grit their teeth and clench their fists and say, all is well, we got what we need.

Senator DECONCINI. I never heard that. [Laughter.]

Mr. GOLDBERG. I had the honor of serving as IRS Chief Counsel several years ago, and I have been coached on the ground rules, but I assure you that we have worked closely, and we have worked well, with our colleagues at Treasury, and our colleagues at the Office of Management and Budget.

Senator, they know what I am saying today, and we are aware—this administration is aware of the importance of tax administration, we know our accomplishments, and we know our shortcomings, we know the troubles that we have faced over the past several years, and the challenges that lie ahead.

Now, this proposed budget is not a panacea—it "bets on the come"—it is a tight budget, it is predicated on our ability to achieve productivity gains that may or may not materialize. There are costs out there that we think may well hit, that aren't budgeted for, and we have to pay for that through productivity gains.

Having said that, I believe the budget does provide reasonably adequate funding for 1991. Of equal importance, I think it reflects a long-term commitment on the part of this administration to restoring the health of our tax system.

TAX PROCESSING AND TAXPAYER SERVICE

In brief, the budget funds an 80-percent level of taxpayer service to the public. It strengthens our efforts to improve the accuracy of responses to taxpayer questions. It supports tax processing levels required to ensure that tax returns are processed accurately and refunds are issued timely.

It will also permit us to pursue numerous efforts that we have under way to ease the burden on taxpayers throughout the country.

ENFORCEMENT ACTIVITIES

The budget will permit us to lift the hiring freeze in our enforcement functions, and provides $191 million in new funding for compliance initiatives to expand collection and examination activities.

These initiatives represent the growth we can prudently manage and absorb during 1991—no more, no less. The first year of this investment will bring in $537 million that would otherwise go uncollected. These initiatives also are an essential part of our long-term strategy to enhance our enforcement efforts.

The IRS continues to be a major partner in efforts to combat drug abuse. Last year this subcommittee supported additional funds for IRS's criminal investigation activities, and further amounts were added through the Transportation Appropriation Act to support enforcement of Federal tax violations and money laundering related to illegal narcotics activity.

These amounts have directly strengthened our program efforts, providing basic funding for a program that is of high priority to the Internal Revenue Service, as well as to the Nation.

SYSTEMS MODERNIZATION

Tax systems modernization remains a major Service initiative. We have the full support of Treasury and OMB in this effort, which has been designated one of a limited number of Government-wide management objectives by the President.

Mr. Chairman, I cannot overemphasize the critical importance of this undertaking. We must modernize our systems by the mid-1990's or face capacity shortages that will seriously jeopardize our tax administration efforts across the board.

Of equal importance is that our existing systems, designed in the late 1950's, simply preclude us from providing a uniformly adequate level of service to the American public. Needless delays, costly and time-consuming correspondence, erroneous taxpayer contacts, and the like, are simply unacceptable—but they are the inevitable byproduct of our outmoded computer technology.

The only hope we have of meeting legitimate citizen expectations in dealing with their Government is to modernize our systems.

While systems modernization will be a costly and long-term effort, I want to emphasize that we are making progress on a number of fronts. For example, electronic filing is coming into its own this year.

Technology-based experiments in Boston and Dallas are improving the quality of our responses to taxpayer questions this filing season, and hold great promise for the future.

Our online entity project is being implemented in all 10 service centers this spring, and is generating significant improvements in quality and productivity.

Senator DOMENICI. What is that one again?

Mr. GOLDBERG. It is called online entity. What it does is give our employees in the service centers realtime access on their computers, to taxpayers' names, addresses, and Social Security numbers.

With a total of 25 million people getting married, dying, moving, and changing their names every year, it makes a big difference, and the result is that we are literally generating hundreds of thousands of fewer taxpayer contacts. That is good for the public and good for the system.

We are going to be pilot testing the first phase of our automated underreporter system later this year, which will provide our tax assistors and examiners with immediate access to case information, permit resolution of most cases by telephone, instead of by mail, and greatly reduce the need for protracted correspondence.

During 1990 and 1991 we are continuing to test various one-stop service concepts that are already reducing the number of runarounds and difficulties that taxpayers confront in their dealings with us.

INTEGRITY

Maintaining the integrity of IRS operations is a key element in our administration of the tax laws, and is fundamental to our system of voluntary compliance. Our internal audit and investigative resources are increased by over 10 percent in the 1991 budget, in order to assure that programs and personnel adhere to the highest standards of performance and conduct.

MANAGEMENT INITIATIVES

Now, the President's budget contains management initiatives, which require no new resources from Congress. These initiatives are designed to collect $2.5 billion during 1991, and represent new approaches to how we do business.

We plan to redeploy existing staff to accelerate the closing of large dollar cases, and move overage tax shelter backlogs, and resolve critical excise tax and pension plan issues.

Now, this $2.5 billion has received a lot of comment, and I would like to emphasize a few points. First, these initiatives represent improvements in, and a substantial break from existing ways of doing business at the IRS.

For example, in our large case examination program we are reducing the barriers that have grown up over the years between our examination and appeals organizations, so that taxpayers and the IRS can reach quick agreement on issues that are not substantially in dispute, while protecting taxpayers' administrative appeal rights, where disagreements exist.

In our appeals organizations, we are taking steps to concentrate participant efforts on cases with very large, disputed deficiencies, and to assure that all cases in the pipeline for a particular taxpayer are effectively linked.

In the pension plan area, a recent court decision, coupled with new issue identification tools, is allowing us to identify questionable actuarial assumptions, and use high volume correspondence techniques to resolve these issues.

In the tax shelter area, the experience we have gained in working with complicated TEFRA procedures has reached a level where we feel promoter cases in the pipeline can be identified and worked in a sequence which affects the maximum number of investors.

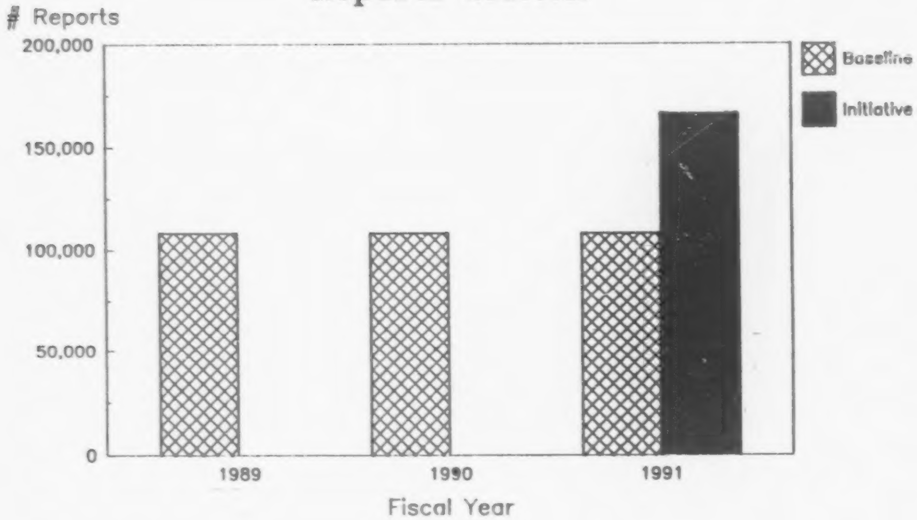
At the same time, we are exploring a number of ways to move the mountains of paper necessary to settle these cases in a much more expeditious fashion.

Second, we are convinced that the revenue effects we are projecting are real and attainable. Let me share with you a few charts that reflect what we were planning this past fall, prior to formulation of these initiatives, and what we now see as our anticipated results.

[The charts follow:]

Internal Revenue Service
Examination/Tax Shelter Initiative

Reports Written



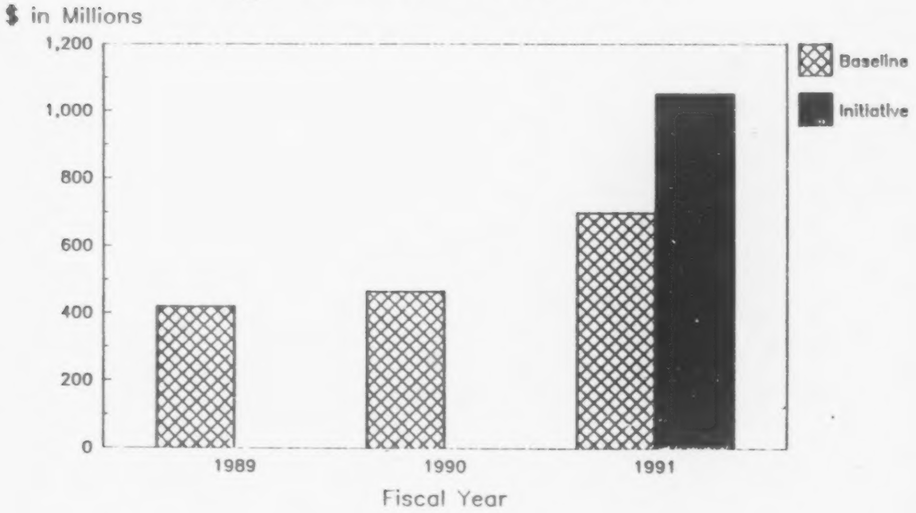
Workload/Revenue Data

	FY 1989 Actual	FY 1990 Plan	FY 1991 Baseline	FY 1991 Baseline + Initiative
Reports	108,506	108,506	108,506	166,508

Internal Revenue Service

Examination/Tax Shelter Initiative

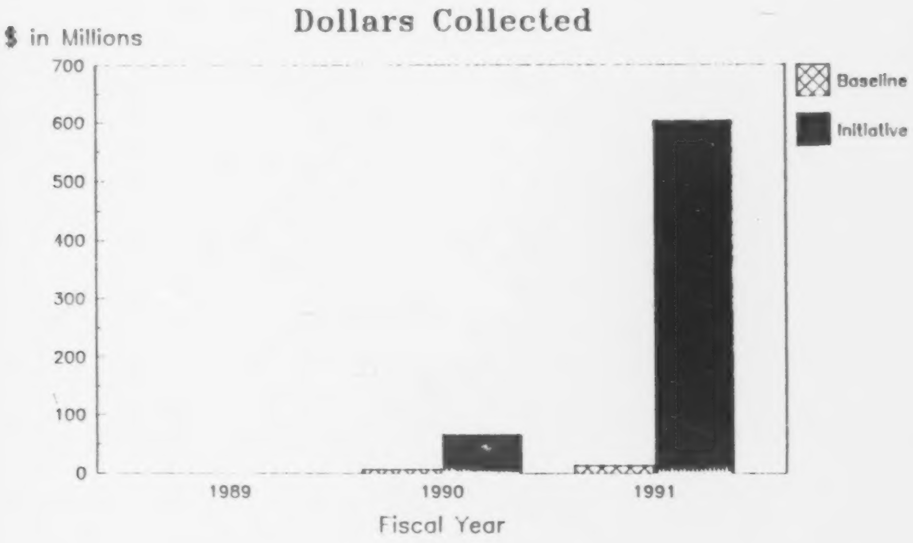
Agreed Recommendations



Workload/Revenue Data

	FY 1989 Actual	FY 1990 Plan	FY 1991 Baseline	FY 1991 Baseline + Initiative
Agreed Recommend. ($ in M)	264	264	412	632
$ Collected (M) (includes interest)	419	465	700	1,049

Internal Revenue Service
EPEO Actuarial Examination Initiative

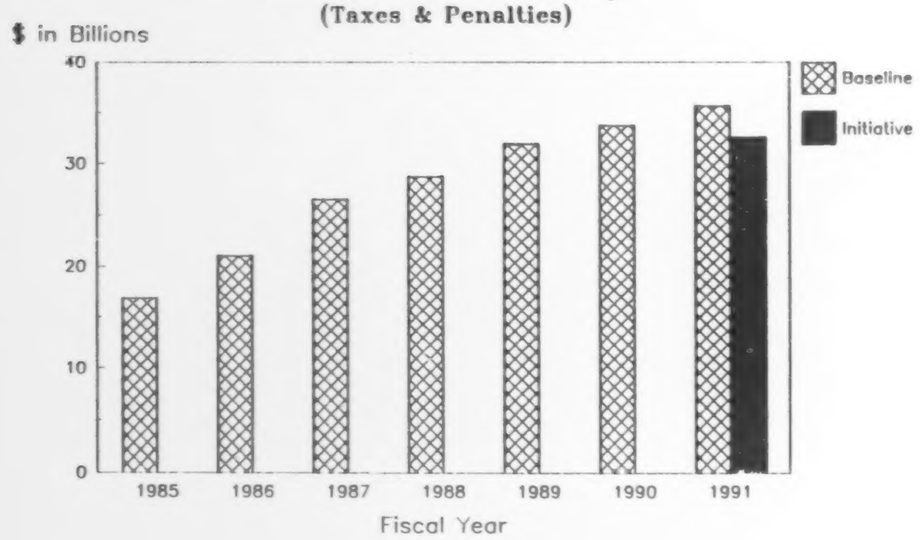


Workload/Revenue Data

	FY 1989 Actual	FY 1990 Plan w/o	FY 1990 Plan w/	FY 1991 Plan w/o	FY 1991 Plan w/
Universe of returns	250,000	250,000	250,000	250,000	250,000
Examinations	50	212	5,456	412	10,606
$ Collected (M)	0	10	321	19	624

Internal Revenue Service
Chief Counsel/Appeals
FY 1991 Management Initiative
Cases in Appeals Jurisdiction over $10 Million

Dollars in Inventory
(Taxes & Penalties)

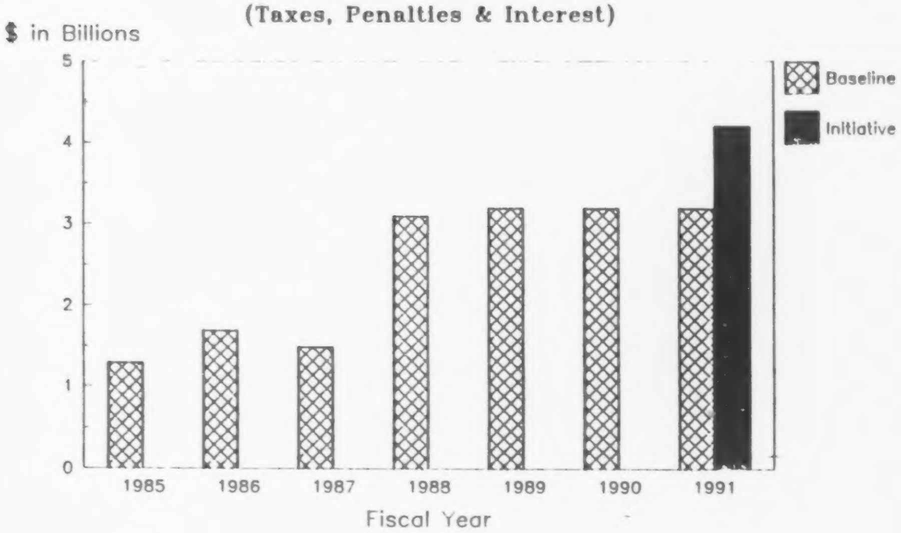


Workload/Revenue Data

	FY 1985 Baseline	FY 1986 Baseline	FY 1987 Baseline	FY 1988 Baseline	FY 1989 Baseline	FY 1990 Baseline	FY 1991 Baseline	FY 1991 Initiative
Ending Inventory	348	422	522	530	584	628	640	605
$ in Inventory (B)	16.9	21.1	26.6	28.8	32.0	33.8	35.7	32.6

Internal Revenue Service
Chief Counsel/Appeals
FY 1991 Management Initiative
Cases in Appeals Jurisdiction over $10 Million

Dollars Recovered
(Taxes, Penalties & Interest)



Workload/Revenue Data

	FY 1985 Baseline	FY 1986 Baseline	FY 1987 Baseline	FY 1988 Baseline	FY 1989 Baseline	FY 1990 Baseline	FY 1991 Baseline	FY 1991 Initiative
Closures	98	116	109	177	185	185	185	242
$ Recovered (B)	1.3	1.7	1.5	3.1	3.2	3.2	3.2	4.2

EXAMINATION/TAX SHELTER INITIATIVE

Mr. **Goldberg**. The first chart deals with our tax shelter initiative. We have over 400,000 units of pre–1987 tax shelter cases in our inventory. For 1991, our baseline number of reports we plan to issue is 108,560.

What this shows is that our initiative will call for us to close 166,508 of those cases this year.

REVENUE RAISED UNDER TAX SHELTER INITIATIVE

The next page shows the revenue we generated in 1989, the revenue we expect to generate in 1990, and the baseline revenue that our plan said we were going to raise in 1991. The solid column shows the amount of revenue we will raise under this initiative.

The next page shows our initiative in the actuarial area.

Senator **Domenici**. Could I ask a question?

Mr. **Goldberg**. Yes, sir.

Senator **Domenici**. You have used interchangeably, if I have listened, this tax shelter problem and TEFRA. Are they related?

Mr. **Goldberg**. Yes, sir; the TEFRA—the provisions that were enacted in 1982, call for partnership audits, as opposed to examinations at the partner level, and that was intended to make it easier on us, and easier on taxpayers, to administer the law.

It was a complicated statute, and it has taken us a number of years to figure out how you examine a partnership, and then get to the individual partners; and I think, in the short run, that has considerably slowed down our ability to move these cases.

Senator **Domenici**. Is that tax shelter—does one yield the other? Or are there tax shelter issues that are not related to TEFRA that are in this?

Mr. **Goldberg**. These are all TEFRA related.

Senator **Domenici**. They are? So it is that old?

Mr. **Goldberg**. You are right on the mark, Senator. These are pre–1987 cases, and you have taxpayers out there tied up in these shelters—they want out.

Second, the opportunity costs of working those cases to us is horrible. Our agents doing those cases aren't learning anything about the new law—they are dealing with ancient history, and our job is to move those cases quickly, and we think we can move them much more rapidly than we had planned to.

Senator **D'Amato**. Another thing I have heard about so many times, when somebody offers to settle one part of it—but you made reference to it, that you don't settle it because there is another disputed part, and you keep the guy under the gun because the part—I don't mean you, personally, but the agency, you keep him under the gun because, you say, listen, we are not going to settle the good part with you unless we settle the whole deal.

Now, how do you break that up?

Mr. **Goldberg**. We have partial settlements.

Senator **D'Amato**. Are you telling me that this is a change in attitude; is that what you are suggesting?

Senator **Domenici**. A change in approach.

Mr. **Goldberg**. Well, it is a change in approach; I think partial settlements make sense from our standpoint. I mean, there is another side to it, Senator.

Senator D'**Amato**. Sure.

Mr. **Goldberg**. There are taxpayers who say, I won't settle this piece until you give me that piece, so it goes both ways.

But I think we have to be more open to resolving disputes with taxpayers at the earliest possible stage in the process.

Senator D'**Amato**. In other words, you are suggesting, that a new approach might be that you would give up some leverage to just get this thing cleared up, and the things we can't agree on we will fight it out—is that what you are saying?

Mr. **Goldberg**. Sure, that is part of it. And the best example is our large case program. You have an examination and we say they owe $100 and they say they owe zero, you go to appeals and settle for $50.

Well, the next audit cycle, our current rules say, we have got to set them up for $100, they have got to claim zero, you go through all that work, they spend all that time and money, we spend all that time and money, it goes to appeals, and 3 years later we settle for $50.

That may not be the best way to run the railroad, and we are looking at the question of why not let them settle for $50 in the examination stage? It is better for the taxpayer, and for us.

Senator **DeConcini**. In other words—excuse me, Senator D'Amato—you are trying to get a profile, if it fits into this type of case enough——

Mr. **Goldberg**. Exactly.

Senator **DeConcini**. Then you say, OK, we will settle it, and it is an exceptional case when you will take it on.

Mr. **Goldberg**. Exactly. We have settled that case the same way for the last 10 years, why make everybody spend the time and money to go through the hoops all over again?

And it is a different way of doing business. You can call it a different attitude, or whatever you want to call it, but I think it is a win-win deal. I think taxpayers like it, and we like it.

Senator D'**Amato**. Interesting.

ACTUARIAL EXAMINATION INITIATIVE

Mr. **Goldberg**. If you look at that table, the blue one on the actuarial cases, there are about 250,000 of these pension plans filing returns every year. In our initial plan for 1990, it said that we were going to audit 212 of those 250,000.

There have been some court decisions that indicate that there are some actuarial assumptions that were improper in a number of these cases, and we plan to examine an increased number of these plans again—less than 5 percent of the total—and do you think it is pretty clear?

Again, we want to do it quickly, we want to do it cleanly, we don't want to squeeze these guys for their last buck, and we want to do it right, and there is a lot at stake here.

APPEALS INVENTORY

Our appeals inventory in the large case program has been growing substantially. Six hundred cases out of a universe which—how many cases are there? About 70,000?

Mr. MIHELCIC. About 75,000 in the appeals inventory.

Mr. GOLDBERG. We have about 75,000 cases in our appeals inventory. And 600 of those——

Mr. MIHELCIC. 600 are presently $10 million and over, and that grows by about 200 a year.

Mr. GOLDBERG. And that accounts for 80 percent of our dollar inventory. So you have a tiny, tiny fraction of the cases—3,000 when you go to 1 million and over——

Mr. MIHELCIC. Right.

Mr. GOLDBERG. 3,000 out of 75,000 cases account for 80 to 90 percent of our dollar inventory. Well, good business tells you to pay attention to the big cases. Good business also tells you, if that inventory is growing at 10 percent a year, and if you don't do something about it, you are going to have an inventory that is getting out of control.

So, by focusing more of our resources on the large cases, by trying to settle where reasonable, and by stopping our talk, and going to court where we can't settle it. I mean, it is not a giveaway—it is, let's do it now, baby, or let's go to the judge.

DOLLARS RECOVERED UNDER APPEALS INITIATIVE

We think we can turn that growth in inventory around. This chart shows that for the first time we are slowing the growth in inventory, and the last chart you have shows you the additional dollars that we think we can generate from this effort.

Now, the point that I want to make here is that this is a real world management situation, and we can track our performance, and we can monitor our performance.

I also want to emphasize that this is pure, old-fashioned good management. It doesn't have anything to do with budget wars. The opportunity costs of carrying those 400,000 shelters in our inventory, and the costs on those investors—5, 6, 7 years after the fact—is staggering.

We have simply got to get that workload behind us. In the large-case area, our agreement rate, in exam, is down to 15 percent; the large-case dollar inventory in appeals is growing steadily each year, and we have got to do something to reverse that trend, or we are going to have $100 billion inventory by the end of the 1990's.

PENSION PLAN ACTUARIAL STRATEGY

Our approach to the pension plan actuarial issue reflects the enforcement strategy that focuses on visible and aggressive efforts to address well-defined pockets of noncompliance.

Senator D'AMATO. We have some managerial talents here, or obviously you have relied on some managerial input here.

Mr. GOLDBERG. I have some good colleagues here, and I think that the important point here is that you can measure this.

And you can hold us accountable, and you can say, OK, Fred, you sat here and said you were going to do this, and you did it, or you didn't. And to me, that is what good government is all about.

We are laying it out clear, measurable—this is what we can do, and you can call us up here when it is over.

I want to thank you and your colleagues for your time and attention. I look forward to working with you, the other members of the subcommittee, Patty and Becky, in the years ahead, and this concludes my testimony.

Thank you very much.

REVENUE FROM PROPOSED INITIATIVES

Senator **DeConcini**. Mr. Director, everybody is going to want to ask some questions here, and I am just going to go into one area for this round. We might even require you to come back to explain a few things, but you know with your statement here, and all these new proposals, including the management reform initiative that you think will realize $2.5 billion, I am impressed with your candidness about your problems.

And I don't know what the problems are, but you seem to have identified them and you are really going to go after them, even though CBO doesn't think you are going to raise anything on this management reform initiative.

They estimate that the initiative will raise no revenue above baseline levels, because IRS has been unable to adequately document how this reallocation would be successfully implemented in the field, and how it would raise additional revenue.

So maybe you can, and I am willing to risk it, but let me go into this with you: We played budget games, and deficit games, with the administration, with OMB, with ourselves here, and we looked to the IRS for a budget fix.

In fiscal year 1991, Commissioner, almost one-third of the IRS increase, or $191 million, is for yet another revenue enhancement initiative, which you state is expected to yield an additional $537 million in revenue in 1991.

Mr. **Goldberg**. Yes, Sir.

Senator **DeConcini**. That is in your budget statement. After that, is second year funding of $68 million to carry out the fiscal year 1990 initiative, at a time when the IRS budget, according to your own people, is operating on annual shortfalls, and the fiscal year 1990 shortfall is expected to be $490 million.

Why should Congress provide funding for a new revenue initiative? Before you answer that, it seems to me that what you have done here today is impressive. You have gone back to face the problem.

The problem is not a new initiative, except this budget game we play. The problem is an in-house one, with being able to modernize and put in the necessary management changes and skills that you indicate you have identified. Maybe we need to help you fund those.

How can we justify taking on another new initiative, when the CBO analysis of the President's budget proposed for fiscal year 1991, with reference to the Enforcement Initiative, states that "while increased examinations, collections, and returns processing staff could be effective in increasing revenues, it could not be done as rapidly and as substantially as the administration estimates"—as you estimate?

CBO ANALYSIS OF PROPOSED INITIATIVES

CBO estimates that for fiscal year 1991, enforcement initiatives would raise $300 million in fiscal year 1991, and $4.3 billion in fiscal years 1991 through 1995. This compares to $537 million estimated by Treasury in 1991, and $5.7 billion over the same period.

CBO goes on to say that because of the pay absorption assumed in the IRS 1991 budget, there would be a revenue loss of approximately $100 million in 1991, with a cumulative loss of $250 million over a 5-year period.

Now, can you give us some rationale, and some way to refute that, because I have a hard time with that. I would rather give you the $191 million on something that you want to do here for training, for ADP improvements and that sort of thing, rather than take another risk, as we have in the past, and not be able to show, really, that we have gained anything other than playing the budget game. I am setting that aside as we discuss this problem, because we play it here as much as OMB. I am not going to get into that, per se, because we all know that.

I really want to get down to it. You have been very candid with us.

SECURING BUDGET BASE

Mr. GOLDBERG. Let me try to talk through that one, and I think that is a critically important question.

Our budget for 1991, forgetting that $191 million for a second, reflects a redeployment, or reallocation of these numbers to comport with reality, so that when our budget says that we are going to spend $90 million on training, we believe that we have done a much better job of pricing payroll costs, for example, so that we are going to spend about $90 million. We are not going to spend $60 million, we are going to spend $90 million.

So I think that the base 1991 budget—and I have nothing but the highest praise for my colleagues at Treasury and OMB in sending this budget forward—we have dealt with these structural imbalances.

So, before you get to the $191 million, what you are looking at is a budget that is within spitting distance of reality.

Senator DECONCINI. Let me interrupt you. That is $440-some million just for that? Given that, this would be honesty in budgeting, from what you are saying, this is what you really have to have——

Mr. GOLDBERG. We are getting a lot closer, sir.

Senator DECONCINI. To get down to your problem and to address it?

Mr. GOLDBERG. Yes; we are getting a lot closer. Now, that $441 million includes the incremental funding for systems modernization, as well. Now, as I said before, and I don't want to—there are unfunded costs. I mean, what the Postal Service is doing, there is going to be $25 or $30 or $50 million there for postal costs—we mail a lot of mail that isn't budgeted.

So, it isn't perfect. So, even that $400 million could leave us as much as $150 million short under certain conditions. But it is within the range where we think we can be productive enough to deal with it. OK.

And that is what gets you the $59, or $60 million, or the $191 million.

RATIONALE FOR NEW REVENUE INITIATIVE

Now, with respect to that $191 million, you ask, why should we do it, and what is the payoff? And I think that is a real important question.

The revenue estimate that we have associated with that $191 to $200 million, the $550 million that we think we are going to raise, reflects significantly more conservative first-year yields than we have ever used before. Using methodologies that had been used in prior years, we would have projected a yield, from that effort, of over $1 billion. But it doesn't all happen the first year.

The yield associated with the field examination part of that is close to zero, but that is the truth. You have to train these people, you have to bring them up to speed. You are not going to get a 1-year, quickie payback.

So we believe that we have priced the yield this year in a very realistic fashion. We didn't come in and say it was going to raise $1.5 billion, and it is instant money. We have come in and said, this is our best, conservative projection of what we are going to get the first year.

Now, why do it? The second point, in the real world of running a business, you have to make investments for the future, and the first year of any such investment isn't going to give you the payback you are going to get in the out-years. And, I just think, from the Government's standpoint, we need to get more comfortable saying we have to invest for the long term.

And even if you take the $4.3 billion that CBO says we are going to raise, that is obviously a backloaded number—you are more productive in the later years than you are in the earlier years; and when do you start making the investment?

Well, if you put it off 1 year, you have lost that forever, because you are always going to be behind where you ought to have been.

Another reason to do it: Our accounts receivable inventory has been growing. The economy is getting bigger, there are more taxpayers, there is more stuff going on out there. If we do not fund a growth in our collection activity, that accounts receivable inventory is going to continue to grow.

We have seen a continuing erosion in audit coverage in this country. If we do not invest in field examination, there will be a continued erosion in that audit coverage.

And this is one worth paying some attention to: We have, in my view, two tax systems in our country. We have a tax system which says, if you are a wage earner with interest and dividend income, and that is about all you have, we look at everything you do, and we are paying attention to all those working folks out there, and I find it hard to justify a declining audit coverage for the well-to-do in businesses, while——

Senator DECONCINI. Well, you make a good point. If you had—and I hope this doesn't sound as critical as it may come out.

Mr. GOLDBERG. No; go ahead.

ENSURING IRS OPERATING EFFICIENCY

Senator DECONCINI. If you had your shop in order, if you had all these new initiatives, if you had the $400 million and you could make the corrective measures, yes. But it seems like a new business, before it can start to go out and look for a new market, it is first going to want to be sure it is operating efficiently, and, as you said, the productivity has increased—which you are trying to do.

Then in addition to that, you want to go out and grow at the same time.

My concern is that it appears to this Senator that it is almost out of control, and I know that is, and I don't mean that as a reflection on anybody who has been there, but these figures are very impressive, that you could cut many of these areas here.

It seems to me that is what good management is, deciding what can be cut even if it is something as important as training. You know, maybe there is some training that needs to be cut, or modernized—I don't know. On the ADP operations, we restricted you from cutting that, and you were able to find some cuts.

That, to me, is awfully good management.

Mr. GOLDBERG. Well, Mr. Chairman, if you, I think, with all due respect, if you folks go out there, and you talk to your constituents about the impact of a failure to train our agents the way we should, the impact of not giving our employees the supplies they need to do the job, and you ask them who is hurting, it is the American public that is hurting.

This is pain for the citizens, and that is bad.

Senator DECONCINI. And I can understand that.

Mr. GOLDBERG. In terms of growth——

Senator DECONCINI. And I, myself, am prepared to help make that up with this new initiative.

IRS GROWTH

Mr. GOLDBERG. Let me tell you about this growth question, and why we are hiring all these new people. I sat in a room with these folks—career Internal Revenue Service—and said, on behalf of this administration, why don't you hire 3,000 revenue officers and really go after the accounts receivables.

And these men looked me in the eye and said, we don't want 3,000; we cannot absorb 3,000. One thousand is the right, prudent number. And when you get managers talking like that, you are talking to folks who are living with a realistic sense of what they can and can't do.

And we could have floated in here and said, give us 3,000 of these and 5,000 of those, and I think the administration would have supported it if we could have hung a number on it.

But we didn't hang a number on it. These men said, this is what we can do.

Senator DeConcini. Yes; we have discussed this before, that the estimates don't come out.

Mr. Goldberg. That is right.

Senator DeConcini. And that is why we are questioning, is this a wise investment in the future now?

Mr. Goldberg. And that is why we have significantly reduced the revenue estimates associated, and that is why we have scaled back the growth to the growth we can live with.

And I agree with you, Mr. Chairman, we need to get the financial side of our house in order, and I believe we have, and I believe we can do it.

Senator DeConcini. I yield to the Senator from New York.

BANK SECRECY AUDITS

Senator D'Amato. Well, I thank the chairman, and I thank my colleague, the ranking member, and I promise 2 minutes—I have some time constraints.

I would just like to say this, that I am impressed—impressed by the case management that you bring to the table, as reflected in the charts that you have prepared, and the manner in which you intend to enhance the operation. I just have to tell you that.

And that is in the face of the fact that heretofore I don't think we have had that kind of presentation, and I think the sincerity and the work—I want to compliment you and those associated with you. That is 1 minute.

The other minute, on March 9, I sent a letter to you, and I think Mr. Brennan is aware of this.

Mr. Brennan. Yes; I am.

Senator D'Amato. He has responded in a letter of the 20th, and basically what I said is, under the Bank Secrecy Act audits which were conducted, could you tell us about the money transmitters—how many were audited? What about audits of banks and audits of check cashers? And could you give us some numbers in terms of the referrals that are accepted for criminal investigations?

We got back a reply that basically indicated you are unable to give us this information, and my question is, are you willing to consider developing a system that will enable IRS examinations to maintain statistics on the referrals on the criminal side, and enable the IRS to provide information on the number of audits conducted for the money transmitters, and for the check cashing.

Mr. Brennan. Yes, Senator; as you point out, we do know how many compliance checks we make, and that is one number, and we do know—and they are out there, banks, check cashing, et cetera—but as you point out, we are unable to correlate the two.

Senator D'Amato. Yes.

Mr. Brennan. So we would be most happy to work with you and your staff to try to develop the information that we would both need to handle this area.

Senator D'Amato. And I will just impose for 30 more seconds and say, I think you obviously know what the area of our concern is, because these money transmitters, we have reason to believe, have now become one of the favored manners for the laundering of drug proceeds and other proceeds.

And that kind of information I think is going to play a very critical role in addressing that concern.

Mr. **Brennan**. We appreciate and understand your concern.

Senator D'**Amato**. Thank you.

RESOURCES FOR IRS

Senator **DeConcini**. Senator Domenici.

Senator **Domenici**. Thank you very much, Senator.

Commissioner, let me first tell you that I did not have an opportunity before today to review your testimony for the subcommittee. I took advantage of my own gut feeling, and in my own way, since I have the greatest respect for the Cabinet member under whose jurisdiction you operate, I took advantage of the situation yesterday and told him that I was very concerned about the Internal Revenue Service, and that he, personally, ought to be sure that this major, major function of the U.S. Government got back under control.

I do not blame previous commissioners; I think there is plenty of blame to go around. We started with a congressional heyday up here, at a point in time—I don't remember the date—when we decided to dramatically reduce the resources, and you all warned Congress that it would dramatically reduce the audits, and would dramatically mess everything up.

When was that? About 1983 or 1984? I mean the numbers on the graph show a precipitous decline. So we were on notice that things were going to become much more difficult, in terms of managing the place.

But I did remind him that I thought we were on very fragile grounds, and that he personally ought to be concerned.

You do give me a bit of consolation today, because I assume that what I was suggesting he ought to do has been going on for the last 2 or 3 months, which brings you before us stating that you are in contact with not only Treasury but OMB, and you are professional experts in putting forward this very forthright assessment of the problems of IRS.

So to the extent, Mr. Nummy, that I was a little tough on the Secretary, I assume, since he didn't comment, that he probably knew this was already going on, and I should have known if I had read the testimony.

I do compliment you on what you are trying to do. I personally am going to try to support you in your request for 3,667 new positions, and the $635 million, and the initiatives that you are trying to undertake.

I would remind you, right up front, and I don't want to spend a lot of time on it, but there is a big problem again, because, while you are up here asking for new money and new initiatives, your budget still has funding to cover only 50 percent of the fiscal year 1991 pay raise.

The budget indicates that an unspecified reduction of $58.2 million, and 1,589 staff-years, will be required to offset those pay costs. We still don't know, today, while we are planning new initiatives, we don't know where you are going to find the money for that.

I think it is reasonable that we ask you—not today—but that we ask you to supply that. We have to know that.

Mr. GOLDBERG. Yes, sir.

Senator DOMENICI. Because, obviously, you can't find it in the air, so something has got to give, and we don't want another one of these, right? That is what you are telling us that we are not going to have.

Mr. GOLDBERG. We will burn the furniture, Senator.

TOLL FREE TELEPHONE SERVICE

Senator DOMENICI. We talk about constituent frustration. I want to just give you one example, Commissioner, for all of you who are wondering about citizens being angry.

My office had a number of phone calls from constituents about the one toll-free taxpayer assistance number in our little State. We received complaints that they were unable to get through to this number.

Now, normally, I would just come up here and say to you, I know my constituents are right. But let me tell you what we did. We didn't do any scientific survey, but my New Mexico staff called this number 35 times, at various times of the day. Their calls were answered only three times.

We have done the numbers and we think that is a success ratio of getting through of 8.6 percent. I will give you the exact dates, if you want them. They were March 6, 7, and 8; we called at various times during each day.

Let me give you one. If you were a citizen out in New Mexico on March 6, and you had phoned 14 times throughout the day, you would have been unable to get through any of these times—not 8 percent—none.

On March 7, calling 11 different times during the day, we got through once. On March 9, 10 phone calls, got through twice.

Now, this is not a big ticket item, from the standpoint of the billions that we have not collected, but I guarantee you, it is part of a huge frustration that leads members of Congress not to want to give you any more money, but rather to give you less.

And frankly, I understand what you are telling us about the past few years, but I believe these kinds of things can't continue, Commissioner, or we will not be in a position to collect the moneys that are due the Federal Government.

We still have the best voluntary system in the world, but we will lose it if we don't do better on the taxpayer side, and this is individual people. We have great frustration at many other levels, and you have hit on some of them today, so I know what I am hearing from constituents is right.

IMPACT OF STRUCTURAL IMBALANCE

Mr. GOLDBERG. It is right, and it is the human beings out there that matter. You know, you have these kinds of numbers, that is one side of it. There is another side to it—the hiring freeze, the promotion freeze, the level of service in taxpayer service this year—we are actually showing significant improvement in quality, but level of service is going to hell.

It was 82 or 83 percent last year; the level of service this year is down to 71 percent, and that is what you are seeing in those numbers. And the freeze is costing hundreds of millions of dollars of revenue that even CBO will agree we are not collecting, because of the hiring freeze.

And we have tried to deal with our problems in a balanced way. We are cutting service, we are cutting examinations, we are cutting enforcement. The only thing we aren't cutting is processing of the returns, the pipeline operations.

And, in terms of are we prepared to deal with the future? Senator, we have been going through a workout for the last 18 months, and if you have a hiring freeze of the type we have had, and the promotion freeze—we have taken a real bitter pill, and we are still taking that bitter pill.

The people who suffer are folks in New Mexico, or the folks in Arizona, who are living with a 71-percent level of service, instead of an 83- or 84-percent level of service.

So I think you are right on the mark, and I think it is the people out there, the 120 million individuals, that matter to the system, and we are not giving them what they deserve.

BUDGET AND MANAGEMENT INITIATIVES

Senator DOMENICI. All right, Commissioner, let me ask if I understand this. You have given us these various bar graphs, indicating enhanced recoupment and recovery of moneys by the Federal Government.

The first one that you had were tax shelter initiatives and their dollar number, right?

Mr. GOLDBERG. Um-hmm.

Senator DOMENICI. The difference between the baseline and the blue bar. You have given us the tax shelter examination initiative, and you have given us the green bar versus the attached one there.

Mr. GOLDBERG. Yes, sir.

Senator DOMENICI. And on the EPEO actuarial examination initiative, you have given us a very big increase, represented by this blue line.

Mr. GOLDBERG. Yes, sir.

Senator DOMENICI. And I guess on the other one you have a decrease, right?

Mr. GOLDBERG. Well, that is a decline in the overall inventory. In other words, by collecting more there is less inventory of the three we have identified.

Senator DOMENICI. But this won't yield us money in the year——

Mr. GOLDBERG. The three you have identified are the revenue pieces of it, yes, sir.

Senator DOMENICI. OK. Now, if we give you the budget that you have asked for, and you are able to put into practice what I understand to be your goals, there are some basic management improvements that you are going to put in, including internal auditing of your own, and seeing to it that we do the fundamentals better.

Mr. GOLDBERG. Um-hmm.

Senator DOMENICI. And then there is a new initiative.

Mr. GOLDBERG. Yes, sir.

Senator **Domenici**. These charts indicate the sum total of the collections that will increase over baseline if we do that.

Mr. **Goldberg**. These three charts, and there are some others—some other minor pieces—this is 90 percent of it.

Senator **Domenici**. All right.

Mr. **Goldberg**. And I think that one of the points, to go back to the chairman's comments before, was CBO declined to score any of that revenue before we had provided them with this explanation, so that they were opposed to making a decision they couldn't score, because we had not identified the baseline.

We have subsequently provided baseline, and——

BASELINE RESULTING FROM INITIATIVES

Senator **Domenici**. Right. Now, let me ask my question another way. I am really getting tired of every year having to struggle through this enhanced revenue expectation——

Mr. **Goldberg**. Yes, sir.

Senator **Domenici**. We have a revenue baseline, and then you say, if you do this we will get—onetime we had $4 or $5 billion more, and now we are $2.5 billion, or whatever the number is—additional revenues.

Am I right in assuming that if we give you what you are asking for, and you put it into practice, that all of that will yield a higher baseline in future years.

Mr. **Goldberg**. Yes, sir.

Senator **Domenici**. And unless we go with some other new initiative, what you expect under this will be built into the baseline expectation in future years?

Mr. **Goldberg**. Absolutely. These are one-time management initiatives designed to get our house in order.

Senator **Domenici**. Right.

Mr. **Goldberg**. That don't require new resources, and it is a one-time—we are getting our things back in order, and in getting our things back in order, we are going to collect an additional $2.5 billion above what we would have collected.

Senator **Domenici**. Right.

Mr. **Goldberg**. And so that is this side of it.

Senator **Domenici**. So wouldn't it be almost fair to say, if you all were requesting the right things, and able to do them, and we were funding them, this would be the ordinary operation of IRS—this is what you are shooting for, to get to this point?

Mr. **Goldberg**. Right, it ultimately becomes part of the baseline. This is not part of the baseline for 1991, because it is stuff that 6 months ago we hadn't planned to do. But we can't keep feeding at this trough forever. We view this as one-time, good management initiatives, that happen to have a result of raising extra money. We can't come back here every year and tell you we are doing this, or we are fooling you.

Now, on the budget side, where you are talking about investing in revenue officers and revenue agents, the administration is on record in its budget of saying you need to fund slow, steady growth. Our business is getting bigger, we need more revenue agents and revenue officers to do the job. So that one is going to happen each year.

ACCOUNTS RECEIVABLE GOAL

Senator **Domenici**. Mr. Commissioner, if you have $87 billion in receivables—contested receivables—what is your goal in terms of controlling receivables? Is your goal to get them down substantially in 2 or 3 years, as a percent of the take? Or are we to expect something like $87 billion as a reoccurring, annual receivable?

Mr. **Goldberg**. Our goal over a 3-year period, as reflected in the President's budget, is to slow and stop the growth, and so we are not going to see these 6, 7, and 8 percent increases every year.

Instead of going like that, we are going to flatten it out, and over the 3-year period, if we start making our investment in 1991, we believe we will collect around $2.25 billion over and above baseline—so there is an additional $2 to $2.5 billion in the bank.

TAX SHELTERS

Senator **Domenici**. My last question has to do with something I would like, that I think would be helpful.

I now understand this tax shelter problem better. I have had a couple of constituents come in and talk to me about the problem in this area—huge, long delays. I can tell you one of them.

The records were lost, Mr. Chairman, in shipping them from some place in Missouri to Denver, which caused a huge IRS delay, yet that didn't matter for the constituent—he just had to wait around and start over again, which I am assuming is happening here and there.

APPEALS SYSTEM

But let me ask you this, I don't know that we have taken a look at our overall system of appeals. I am convinced that across this country—you being a lawyer, and we are both lawyers—sometimes I am not so pleased to say that I am one anymore, but in any event—in most litigation we are trying new approaches to get rid of the long time in the normal litigation channels.

I am convinced that we have a far too long delay between the contest and the ultimate conclusion in this system, and I would like to have from you or your people just a typical flow chart of the average times, and number of contested cases that are going through this entire routine, which I gather takes as short as 2 and as long as 4 and 5 years.

I am also very much aware that for medium-sized tax deficiencies, the appeals process itself is extremely costly. If we have the people, it is bogging us down, but the taxpayers are very upset with the fact that they frequently have to settle rather than go through the formal tax court appeals.

TAX COURT

So my last question would have you give us some assessment of whether the tax court, which we set up for further review, is working or not.

Now, I know it is hard for you to say whether it is working. I am not talking about decisions that you like; I am talking about how long is it taking. Maybe we need more tax judges for a while and get this thing under control, because there is a big backlog, from what I understand.

I would like to know what that backlog is.

Mr. GOLDBERG. We would be happy to provide you with all that information. I think it is of some size. It has been enormously successful at the tax court level; I think in the large case program, Senator, it is not 4 years it is 10 years. I mean, it is an outrage.

And that is a cornerstone of a number of our initiatives—people out there in the world care about time, they want it over quick, and I think that has to be a focus of what we do, and it is part of the revenue initiative, it is part of good management, and we will get you the information.

ARBITRATION ON TAX CASES

Senator DOMENICI. Well, let me ask you just one last question on this. Is there a process now where a taxpayer can agree to a binding type shortcut to all of this, so that neither they nor you have to go through the entire process?

Mr. GOLDBERG. The Chief Counsel has developed a program where taxpayers can agree to binding arbitration—you can skip the whole thing and go to arbitration.

Senator DECONCINI. Excuse me, Pete.

Senator DOMENICI. Sure.

Senator DECONCINI. You say you're developing a program, can you put it into practice now?

Mr. GOLDBERG. We started that——

Mr. MIHELCIC. We have been looking at the process.

Mr. GOLDBERG. I was Chief Counsel from 1984 to 1986, and we initiated that program during that period, where if the taxpayer and the Government agreed, they could go to binding arbitration. And there are a number of instances where folks have done that, and I am sure we can provide you with information.

Senator DECONCINI. But now, are you doing it now?

Mr. GOLDBERG. Yes, sir.

Mr. MIHELCIC. We will be happy to give you some information about that, Senator.

Senator DOMENICI. We would like to have it. I frankly believe it is very, very important. I had one constituent just beg for it, and maybe they weren't entitled to it, but frankly I said, I don't know whether we can do it or not. But the situation kind of cried out, from what I could tell, for somebody to sit down and say, we don't have to go to the appeals court and through all of this process—let's just agree.

Mr. MIHELCIC. Yes; the procedure is in existence, Senator; there hasn't been much use made of it, to this date, but we will be happy to give you some numbers on it.

[The information follows:]

ARBITRATION

For several years, the Office of Chief Counsel has encouraged the use of court-supervised voluntary binding arbitration of Tax Court cases, particularly for the resolution of factual disputes, such as valuation cases.

In appropriate cases, we believe that the use of such procedures results in a more efficient use of judicial and Internal Revenue Service resources and assists in reducing the Tax Court's inventory. Under current procedures, parties desiring to use binding arbitration may jointly file a motion with the Tax Court for the submission of an issue in the case to an agreed-upon expert; the parties agree to be bound by the findings of the expert, which the Tax Court uses as the basis for the decision in the case.

In recent years, some parties have requested the use of voluntary binding arbitration in Tax Court cases. Although arbitration has been encouraged since at least 1985, it has only rarely been used; probably less than a dozen times. To encourage its broader use as a dispute-resolution technique, the Tax Court, in its proposed new Rule 124, will allow any factual issue in controversy to be resolved through voluntary binding arbitration. Selection of the arbitration procedure will be initiated by the filing of a joint motion by the parties. We anticipate that the new rule will be formally adopted by the Tax Court in May 1990, and we are encouraging its extensive use for the more rapid disposition of factual disputes.

DECREASED AMERICAN PRODUCTIVITY

Senator DOMENICI. Great.

Mr. Chairman, let me just tell you why I raise the issue of lawyers—it's my last little triviality here. I am getting from a major American chief executive—one of the best in the United States—a rule he has developed, and he has named after himself. When I get it, I will share it with you. It is a new rule of American economics that traces America's diminished national growth and productivity on the basis of the increase in lawyers in the United States. He has a magnificent rule, and it seems to be foolproof. [Laughter.]

Our productivity is following inversely with the number of lawyers added to the——

Senator DECONCINI. Except for the lawyers, maybe.

Senator DOMENICI. They probably like it.

Thank you.

USE OF ARBITRATION

Senator DECONCINI. Mr. Goldberg, to touch back on Senator Domenici's point on arbitration, I think that is really worthwhile. As you know, the Judicial Conference has done a lot of different things to try to shorten their litigation and appeals, and that is one of them. They have had it for a long time, and they are modernizing some of that now, and what have you.

I would sure like to know why you can't do more of that, and maybe there is a good reason. Maybe it is a ripoff for the Government, I don't know. Maybe the arbitrators are taxpayers, too, and you can't find them.

TAXPAYER OMBUDSMAN

Let me ask you if you have an ombudsman.

Mr. GOLDBERG. Yes, sir.

Senator DECONCINI. Does that office involve themselves in any disputes like this, or is it a service ombudsman?

Mr. GOLDBERG. Well, he is right here.

Senator DECONCINI. Mr. Ombudsman.

Mr. GOLDBERG. That is right. Your friend in court, Damon Holmes.

Senator DECONCINI. What was the name?

Mr. HOLMES. Damon Holmes.

Senator DECONCINI. Thank you, Mr. Holmes.

Mr. HOLMES. Generally, the program is designed not to review judgments of law or that sort of thing, but the process itself.

Senator DECONCINI. I see.

Mr. HOLMES. The program deals with procedural problems. But, inevitably, sometimes when we come across something where a point may look a little strange we get into it, but it is not the practice. It is not part of the design.

Senator DECONCINI. Now, do you have some independent authority from the Commissioner?

Mr. HOLMES. Yes, sir; I have authority from the Commissioner, and also from the Congress under the Bill of Rights. The Commissioner has given us authority to do certain, what I'll call positive, actions in favor of a taxpayer that don't necessarily involve enforcement, such as speeding up refunds.

The Bill of Rights gives us authority to——

Senator DECONCINI. The Taxpayer Bill of Rights we passed is your enabling legislation. You can do things without the Commissioner's approval, is that right?

Mr. HOLMES. Yes; that is right.

Senator DECONCINI. Thank you.

Mr. HOLMES. Yes, sir.

FISCAL YEAR 1990 REVENUE INITIATIVE

Senator DECONCINI. My last question, going back to this revenue initiative, last year we appropriated $109 million, I believe, or close to that. The projections then were going to be $500-plus million recovery.

How much did we recover?

Mr. JOHNSON. Actually, sir, we took the money right off the top to deal with the fiscal crisis. What we are hoping is that, before this year is out, we will be able to restore 50 percent of the funding for that initiative, and begin to realize the dollars as this year ends, and into next year.

Senator DECONCINI. So, based on what the Congress and the administration agreed to on the sequester and absorptions, that is where you took it?

Mr. JOHNSON. Yes, sir; one of the places.

IMPACT OF LIMITED BUDGET ALLOCATIONS

Senator DECONCINI. Well, then, this is really my last question, I think, if you don't get the funds you need for your salary and your operating and your increases, and you are required to absorb, and if you don't get any relief from the forfeiture fund, and you also get this $190 million for new initiatives, is it safe to say that probably the prime target to be used to absorb some of the things that we force on you?

Mr. GOLDBERG. Which? That $191 million?

Senator DECONCINI. Yes.

Mr. GOLDBERG. Sir, I believe——

Senator DECONCINI. If we give you that, but then we are foolish enough to do what we did last year—agree with the administration, and I am not casting the blame, because we were all a part of it—to force you to absorb the overtime and also so many months of sequester, does that just go with logic that you are probably going to have to do the same thing again this year?

Mr. GOLDBERG. Well, Mr. Chairman, in the last couple of years, that absorption has been running $400, $500, $600 million a year. That is too big an amount to swallow. Our best guess for next year is maybe an absorption of $150 million, $100 million.

Now, we have a $6 billion budget. The question is, can we find productivity gains and cost savings to cover that $150 million, and I am sitting here and saying that is a fair gamble, and I think we can.

So the answer to your question is, that $191 million will be spent——

Senator DECONCINI. And you are not going to do what you did last year with it?

Mr. GOLDBERG. No, sir; because our budget—I mean, as I said, we have been going through a workout. We have been down-sizing this agency to get back in balance for 18 months.

Senator DECONCINI. I understand.

Mr. GOLDBERG. And we pay a price for that, but we have done it.

USING REVENUE INITIATIVE TO COVER ABSORPTION

Senator DECONCINI. If I was sitting in your shoes I might have done the same thing. My question is, is it your plan, Commissioner, if you are faced with the same thing they were faced with last year, you don't think you will use that $191 million—assuming you got it—for this absorption, are you going to try to find it through productivity gains or some other initiatives that you have pointed out? Is that what you are telling us?

Mr. GOLDBERG. Well, in the budget that would sell as a heck of a lot better structure than it was in prior years. In other words, last year maybe we were supposed to be absorbing $500 million—well, that is a big nut to absorb.

If it is $100 to $150 million, that is a lot less to absorb, and I think that we can manage ourselves to get through that.

Senator DECONCINI. OK.

RECRUITING ATTORNEYS

Senator DOMENICI. Mr. Chairman, could I just ask one question?

Senator DECONCINI. Certainly.

Senator DOMENICI. Commissioner, 20 years ago, or 25, when I was practicing law, almost every tax lawyer in the State of New Mexico laid claim to fame and became the State's great experts because they had worked for the IRS. You started out there, and then if you were regional chief counsel, you were Mr. Tax Lawyer forever, and that meant you would make a great big pot of money.

It seems to me that has changed. Are you having difficulty getting the best of the lawyer graduates in the country, and the best of the CPA's and the others that want to come and spend time with the Internal Revenue Service?

I guess what I am asking is, are you having difficulty with recruitment?

RECRUITMENT AND RETENTION

Mr. **Goldberg**. Senator Domenici, we have two things that are going on. One, we are still recruiting high-quality people throughout this agency. The problems we are encountering are twofold.

One is retention. You can still hire them, but it is getting harder and harder to keep them.

The second issue is, in our high-cost-of-living areas, the recruiting is exceedingly difficult, and I think that longer term, the most important issue facing the Government—it is not just an IRS issue—is Federal pay, locality-based pay for high-cost-of-living areas.

Because we can talk about these computers and these management initiatives and all this stuff, but it is the people, and we have to train them right, and we have to give them tools to do the job, and that is where we ride or fall in this system, and it is agriculture, Social Security, and everybody else.

And I think that the administration, again, has taken a real step down that road in its cost-of-living proposals for New York and San Francisco and Los Angeles.

One of the most interesting things in going out to the field—I go out there a lot, and we talk to our folks in these low-cost-of-living areas that would never qualify for locality-based pay—and you talk to these IRS folks, and they will tell you, the most important thing to do is pay the folks in the high-cost-of-living areas, not the same wage that they are going to make in the private sector, but give them something so it is bearable.

And I think you are right, and I think we have to come to terms with that.

RECRUITMENT AND RETENTION OF ATTORNEYS

Mr. **Mihelcic**. Could I say one other thing, Fred?

With respect to lawyers, Senator, two phenomena are taking place. One, we can't recruit the numbers of people that we used to recruit directly out of law school. We hire on the average of 100 or 150 lawyers a year in our organization, and we have found that those numbers have diminished drastically. And we won't reduce the standards.

So what we are finding is, we are recruiting about 25 or 30 high-caliber people a year directly out of school. What we are doing to replace the other 100 is hiring attorneys with experience, which means we are hiring at higher grades, which means there is a budget impact.

It has had a serious impact on the budget of the organization, and we are talking about counsel alone.

While that has been going on, we have been finding that we are getting serious attrition problems in the high-cost areas.

As a matter of fact, I got a letter from our Southwest Regional Counsel that addresses this issue. I was advised we are losing one of our best attorneys in Dallas, an attorney who is a Harvard law graduate, finished near the top of his class, had an LSAT score I have never seen as high, who has been with the office for 4 years. The Regional Counsel wrote a letter to me this past week forwarding the attorney's letter stating why he wasn't going to take it anymore. He stated he wasn't willing to live with some of the things that Mr. Goldberg alluded to, the fact that the training of the office has been drastically reduced, issues even involving case travel that has been drastically cut. We are finding that there is a tremendous amount of pressure on folks to keep expenses down. The attorney is saying, I am not putting up with this any more, and I am leaving. He is doubling his salary in Dallas.

So we have found on the one hand, yes, we are having the recruiting problems, no, we are not tolerating a significant diminution in quality, but we are in fact experiencing the loss of some high-caliber people in the high-cost and other areas around the country.

So we have to do something about it.

COMPUTER SYSTEM MODERNIZATION

Senator DOMENICI. The last question, I hope, and I am sure you hope so, too. [Laughter.]

This kind of function of Government, at least in my humble opinion, cries out for technology, and especially in communications, and computerization, and do I read you right that you have set up a process whereby you are confident that the advice you are getting in terms of modernizing the computer system is crackerjack advice?

Are you confident that what you are going to install by way of a new modernized computerization system, bringing it up to where it ought to be, is good?

Mr. GOLDBERG. Yes, sir.

Senator DOMENICI. How do you——

Mr. GOLDBERG. On the financial side—remember I told you we have a chief financial officer.

Senator DOMENICI. Yes; I understand that.

Mr. GOLDBERG. On the other side of the house we have created a chief information officer's position to centralize all of that, and we have good folks inside, but we are also looking to the outside world for help in getting our contracts—the National Academy of Sciences—where they will bring together folks from private industry and from academics, and on a regular, long-term basis.

They will be dragging us over the coals, looking at what we are doing, will be asking hard questions. We have contracts with Mitre Corp., with Booz-Allen, with a number of other companies, who are poking sticks at us, to be sure we are going down the road.

And it is hard. It is not going to be perfect, but I believe that we are on the right track, we are starting to deliver, and I am cautiously optimistic we are going to bring this sucker home, and do it the right way.

PROCUREMENT PROCESS

The biggest problem we have is the procurement process.

Senator **Domenici**. You mean the procurement process we impose on you?

Mr. **Goldberg**. Well, we all impose on each other.

Senator **Domenici**. Yes; but it is tough.

Mr. **Goldberg**. In my view, it is going to delay the thing 2 or 3 years, and add 20 percent to the cost. But that is what we are looking at.

SUBMITTED QUESTIONS

Senator **DeConcini**. Thank you, Mr. Commissioner. I just want to say that your presentation today is really one of the most forthcoming ones, and realistic ones, I have seen. I don't want you to take from that you are going to get all the money that you want because we may not have it, but I appreciate this approach. We have a lot of other questions which I am going to submit to you. I realize that is a burden to you, or your staff, to answer them, but they would help us in deliberating on how we are going to divide things up.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DeCONCINI

EXAMINATION REVENUE INITIATIVES

Sen. DeConcini: In FY 1991, you plan to devote an increase of $77.1 million to Examination field audits and another $7.9 million to Examination claim audits. Neither one of these initiatives will generate additional revenues in FY 1991, as a matter of fact, the Examination field audit activity is expected to result in an $18 million loss in revenues. While I recognize that these activities give us the biggest bang for the buck over the long run, do you believe we can afford to fund these activities with the budgetary constraints we are currently faced with?

Mr. Goldberg: Our tax system is unique in that it is based on voluntary compliance by the American taxpayer. Our FY 1991 compliance initiatives are designed not only to produce immediate revenue but also to encourage compliance with the tax laws. Maintaining compliance levels is the best, and cheapest, way to collect taxes in the long run. The additional revenues brought in by these two Examination initiatives, some $1.8 billion over five years, will help to reduce the deficit or fund other worthwhile programs. The Examination field audit initiative is a major part of the compliance initiatives and should be funded, both to generate direct revenue and to help maintain a strong voluntary compliance system.

Sen. DeConcini: How critical would you say the $77 million for Examination field audits is in FY 1991 as a component of your overall revenue initiative?

Mr. Goldberg: The Examination field audit initiative is a major part of our overall revenue initiative. In addition to the revenue that this initiative will generate, it will raise our Examination coverage rate, something that the Congress has shown a keen interest in lately. This initiative will also foster voluntary compliance through the auditing of additional tax returns.

Senator DeConcini: Over the next five years, if the Examination Field Audit initiative is funded, what will be the percentage increase in your audit coverage?

Mr. Goldberg: The Field Audit initiative was not designed to produce substantial increases in coverage. Examination revenue agents examine the most complex individual and business tax returns resulting in increased revenues and increased enforcement presence in those particular tax classes. Accordingly, this initiative will only increase coverage by .01% annually for the next five years.

REVENUE INITIATIVES

Sen. Deconcini: In an August, 1988 report, GAO discussed various problems with IRS' process for estimating Examination revenues. I understand that after the GAO report, IRS conducted its own study which confirmed the GAO findings. Among other things, IRS determined that it was not until the third year after an increase in Examination staff that the Treasury starts realizing an increase in revenues. Until then, any increase in revenues generated by the new staff is more than offset by the unrealized revenues associated with using experienced audit staff to train the new staff.

In light of these findings, what is IRS doing and what does it plan to do to improve the reliability of its revenue estimates?

Mr. Goldberg: The IRS has been pursuing a number of studies and projects to improve our revenue estimating processes since these concerns came to light in 1988. These efforts fall into two areas - improving our revenue data on which we assess results and base projections, and improving our estimating techniques.

We have developed extracts of our master file data to determine how much is collected annually from enforcement actions in general. These extracts are now in the final stages of review and should be ready in the next few months.

A study of the accuracy of the data gathering system in current use in the Collection function has almost been completed. We expect to have a first draft in April with a final report a short time later.

A major new project to improve the quality of our data on IRS enforcement programs was begun last year. This is the development of a Servicewide enforcement data collection and storage system currently called the Enforcement Management Information System (EMIS). EMIS will eventually capture data on a case-by-case basis in all our enforcement areas. These data will include costs, timing, type of case, amounts recommended, assessed, and collected by enforcement area. EMIS will begin gathering selected data in July, 1990 but, due to the length of some of our enforcement actions, trend data will not be available for at least four to five years.

Two projects have been subsumed into the EMIS effort and EMIS is being designed to answer these concerns. The first of these was a project to determine the rate at which adjustments proposed by Examination are eventually sustained in Appeals. The other was a study to improve the Examination information systems and improve the Examination Resource Allocation Model.

Another data improvement study is underway to replace certain estimates now made in our Taxpayer Compliance Measurement Program (TCMP) with actual data, including the eventual assessments from unagreed TCMP cases in Examination. Currently, our TCMP program tracks cases only through the Examination recommendation. These studies will not be complete until 1992 for corporate data and 1993 for individual data.

We have started to look at developing a model that will allow us to better estimate our enforcement revenue work flow and therefore our eventual collections. This would be along the lines of an internal "input-output" model. The development of this model is dependent, however, on better data than we now have so it will necessarily have to follow the completion of our data improvement projects - especially EMIS.

Finally, two projects involving the improvement of Chief Counsel resource allocation and revenue projection are temporarily on hold due to the major emphasis being placed on EMIS. EMIS will also track Chief Counsel data.

Sen. Deconcini: In Fiscal Year 1989, did you suffer a revenue loss from the amounts originally assumed in your FY 1989 budget? If so, how much?

Mr. Goldberg: The IRS did not propose any new revenue initiatives in our FY 1989 budget so the only comparison that can be made is between the Examination program's original estimates on program results and what they eventually accomplished. The IRS' FY 1989 budget estimated that the Examination program would recommend $21.1 billion in additional taxes and penalties. In FY 1989, Examination did recommend $21.7 billion in additional tax and penalties. While these do not represent dollars in the till, they do show that Examination exceeded its original budget estimates.

Inflationary Costs

Senator DeConcini: I am most concerned about the programmatic reductions to offset pay costs which will require a decrease of 1,589 positions and $58.2 million. What specific programs will be curtailed and what, if any, impact will these reductions mean for taxpayer service? Will there be a revenue impact associated with the programmatic reductions?

Mr. Goldberg: The program reductions associated with the $58.2 million decrease are planned in support staff reductions not in frontline personnel. These reductions will have minimal impact on the target level of service provided by our toll-free telephone assistance network because of an increased use of automated response systems and a shift to a higher percentage of permanent staff. There is no revenue impact associated with these programmatic reductions.

Program Reductions to Offset Increased Pay Costs

	FTE	Amount (000's)
Administration and Management		
Execution Direction	3	100
Management Service	15	549

Processing Tax Returns and Assistance		
Returns Processing and Revenue Accounting	292	10,482
Statistics of Income	0	201
Taxpayer Service	112	4,104
Tax Law Enforcement		
Examination	516	18,921
Appeals, Tax Litigation and Technical	112	4,117
Employee Plans and Exempt Organizations	42	1,533
International	15	538
Tax Fraud and Financial Investigations	111	4,071
Collection	259	9,497
Document Matching	0	0
Information Systems		
Processing and Services	112	4,087
Compliance and Enforcement	0	0
Program Support	0	0
Tax Systems Modernization	0	0
Total	1,589	$58,200

Increased Costs of Administratively Uncontrollable Overtime (AUO)

Senator DeConcini: Do you have any idea how much of the AUO absorbed by IRS in FY 91 would restored as a result of these discussions with the Drug Czar's office?

Mr. Goldberg: We understand that $3.1 million is due to be restored as a result of the discussions with the Drug Czar's office about both AUO and pay raise absorptions.

Senator DeConcini: If this $4.8 million were restored to the IRS in FY 91, where you use these funds?

Mr. Goldberg: We would apply these any additional fund received to any one of a number of critical program requirements, several of which are in our Tax Fraud area.

Senator DeConcini: You are requesting an increase of $11.939 million and a reduction of 114 positions in taxpayer service in fiscal year 1991. Where will the staffing reductions be taken and how will you be able to ensure an 80 percent level of taxpayer service, which, if my understanding is correct, would be a 10% increase over the current level of service, with a reduction in staffing levels?

Mr. Goldberg: The reduction in staff is due to absorption of the 3.5% pay increase. The Service intends to reduce overhead and support positions, not front-line tax assistors.

The budget assumes a decrease in demand for direct (one-on-one) telephone taxpayer service and increases in the use of automated response modes (Tele-tax), thus achieving overall gain in level of service.

If demand estimates are off and technology advancements do not materialize quickly, the Service would redirect resources away from less critical areas.

Senator DeConcini: In FY 1990, the Service requested an increase of 1,300 positions and $55.9 million to increase taxpayer service levels.

What amount, in both staffing and dollars do you anticipate funding this fiscal year in light of pay absorptions, sequestration and increased pay costs?

Mr. Goldberg: Our FY 1990 budget request contained a proposed staffing level of about 8,200 positions for our taxpayer service function. Because of actions taken to meet the demands of pay absorption, sequestration and increased labor costs, we will realize about 7,600 positions. Also, about 75 positions in this difference between the original FY 1990 budget and this year's presentation is attributable to the comparability adjustment for appropriation restructuring. Those positions pertain to internal audit, security, and information systems projects that are now being separately budgeted. Current plans calls for us to expend in excess of $376 million which is slightly more than the $374 million we proposed in the FY 1990 budget request.

Senator DeConcini: How many of the originally estimated seasonal positions have been converted to permanent positions? Will these levels continue through fiscal year 1991?

Mr. Goldberg: The number of full-time permanent technical positions increased by 185 at the end of fiscal year 1989 from the end of fiscal year 1988.

In February 1990, district offices were authorized to hire up to a 75 percent/25 percent mix of permanent-to-temporary technical employees based on their lowest on-board technical staff. We expect this process will be on-going through fiscal year 1991.

Senator DeConcini: What is the level of accuracy being given to taxpayers this filing season?

Mr. Goldberg: The Taxpayer Service accuracy rate, as measured by the Integrated Test Call Survey System for the period February 5, 1990 - March 31, 1990 is 76.8%

Senator DeConcini: I see your numbers are improving. Last year, the GAO survey showed 66 percent rate of accuracy. GAO's recent survey shows that percentage now up to 78 percent. I commend the service for those improvements. Hopefully, this is a trend which will continue. What is your long term accuracy goal--is it 100 percent or more in line with your 80% level of taxpayer service?

Mr. Goldberg: As we have said on many occasions, taxpayers are entitled to correct answers from the IRS every time they call. Our goal is to strive for perfection in everything we do. At the same time however, I think all of us can take enormous pride in the significant improvement in our accuracy rates this year. If reflects our continued emphasis on training, our use of more effective research materials, the fine work of our diagnostic centers, our technology based experiments in Boston and Dallas.

While our progress is noteworthy, we can -- and should -- do better next year. We have learned a great deal from the progress we have made are already developing strategics to improve our performance again during 1991.

Sen. DeConcini: Your prepared statement indicates that you have two test pilot projects underway in Dallas and Boston to improve accuracy. Do you want to tell us about those pilots, when do you expect to survey the results and if, and when, you plan to extend these projects nationwide?

Mr. Goldberg: The Dallas test incorporates text retrieval software which allows assistors to rapidly research a data base (called an infobase) composed of those reference materials (primarily Publications 17, 334, and the 500 and 900 series of Taxpayer Information Publications) which reflect the Service position on tax subjects. The test also includes an Electronic Referral/Inventory Management System which allows the electronic recordation of taxpayer requests for forms and publications, and electronic transmission of preferred requests. This application will also permit the electronic recording of requests for assistance which require research and subsequent call back; on-line review of the referral by the manager, who will be able to prioritize and assign immediately to back up personnel; and automatic generation of reports on the age, type, status and other characteristics of the referral.

In Boston an expert, or "knowledge-based", system is being tested that prompts taxpayer assistors with appropriate questions, performs tax form calculations, generates a conclusion based on specific information provided by the taxpayer, and provides detailed explanations as to how the conclusion was reached. Initial surveys of assistors using the system in Boston indicate that it has met the goal of being user-friendly allowing them to answer taxpayers' technical tax questions accurately, completely, consistently and timely. The large number of tax topics included in the system increases the number of inquiries front line assistors can answer and decreases the number of calls referred to second line specialists. In many instances this saves taxpayers considerable time and has the additional benefit of allowing the specialists to concentrate on responding to more complicated questions.

Preliminary results from the Boston evaluation are encouraging. The final decision to expand beyond Boston is, of course, contingent on further evaluation which will be completed by the end of the 1990 filing season. We are committed, however, to providing taxpayers who ask us for assistance with the best service we can give them. We have made no final decisions with respect to expanding these projects to additional call sites. At the present time, however, we anticipate the following for the 1991 filing season: Three of our 31 call sites will include both the Boston and Dallas efforts and will also automate a number of related taxpayer service functions. In addition, we will place the expert system in approximately 4 additional call sites. At the same time, of course, we will build on our experience this year to improve the quality in the remaining 24 locations. Thus, in an effort to provide improved quality at the earliest possible date, we are considering an accelerated implementation schedule should the Boston test be evaluated as a success.

In the event the Expert system needs an additional filing season of testing, the money would be available in the last half of the FY 1991 for the accelerated roll out.

Sen. DeConcini: By what percent will these "reference-based" systems improve the level of accuracy of information being transmitted to taxpayers?

Mr. Goldberg: It is the goal of Taxpayer Services to achieve an 80 percent accuracy. Nationwide implementation of the Boston knowledge-based system and the Dallas reference-based text retrieval system is expected to achieve at least this goal, if not exceed the 80 percent accuracy level.

Sen. DeConcini: How much money has been budgeted for these projects in fiscal year 1991?

Mr. Goldberg: The FY 1991 budget submission for the T-34 (Taxpayer Service Integrated Systems TSIS, formerly Automated Taxpayer Service System ATSS) initiative is for $12,044,000.

Senator DeConcini: Will there be any savings associated with the implementation of these projects? If so, how much?

Mr. Goldberg: Yes. The total projected savings/benefits as submitted for the life of the project (thru 1997) through the Information Systems Budget is $209,558,000. Automation accounts for a sizeable portion of this -- serving more taxpayers with fewer assistors. However, the intangible benefits are impressive, as well. The accuracy, responsiveness and timeliness of front line responses to taxpayers' inquiries will be greatly improved. Each front line assistor will have a uniform set of electronic reference materials, including local procedures. The expert system module will guide the assistors through the inquiry and its' appropriate reply to ensure accurate responses.

TAXPAYER OMBUDSMAN

Senator DeConcini: I am interested in receiving additional information on your Taxpayer Ombudsman's Office; how many people are assigned to it; does it have offices located around the country; and what are you doing to inform the taxpaying public of its existence?

Mr. Goldberg: The Taxpayer Ombudsman heads the Service's Problem Resolution Program (PRP). This program has a staff of 323, which includes the Ombudsman. Of the 323 staff-years, 23 are on the immediate staff of the Taxpayer Ombudsman at the National Office.

Each IRS district, compliance center and service center has a Problem Resolution Officer (PRO) who reports to the Director. There is also a Regional PRO in each regional office responsible for overseeing the program. He or she reports to the Regional Commissioner. Each PRO's office has a small staff.

PRP is publicized through TV and radio announcements, articles and ads in newspapers and magazines. The program is also discussed in IRS tax packages, publications and other information materials. PRP posters are displayed in IRS public contact offices and are also placed in other government offices. PROs meet regularly with tax practitioner groups, Congressional staffs, and other outside groups to explain and publicize the program. In addition, PRP posters are placed in IRS work areas to remind employees of their responsibility to identify cases that meet criteria for PRP handling. In fact, while there has been and continues to be external publicity about PRP, the majority of cases still result from IRS employee referrals.

Another successful publicity vehicle for PRP is Operation Link. This effort was implemented to provide tax practitioners with direct access to PRP, both to ensure that problems meeting criteria reach PRP and to alert us to systemic or procedural problems.

Senator DeConcini: If a taxpayer calls the Ombudsman directly, what types of cases would he or she handle?

Mr. Goldberg: The Ombudsman's office receives calls involving various types of problems, including simple disagreements with IRS notices to more serious actions such as levies on wages or seizure of assets.

Although a number of employees, including the Ombudsman, answer taxpayer calls the majority are answered by two specially trained employees on the Ombudsman's staff. The employee receiving the call usually contacts the appropriate field Problem Resolution Office and requests that personnel in that office work to resolve the taxpayer's problem. The problems are referred to the appropriate field office because they have jurisdiction over the accounts and have direct access to the taxpayer's account data.

Senator DeConcini: Can a Member of Congress or his staff contact the Ombudsman on behalf of a taxpayer? If so, how frequently is this done?

Mr. Goldberg: Yes. From January 1 through March 28, 1990, there have been

41 Congressional contacts on behalf of taxpayers to the Ombudsman or his staff in the National Office, and many more received in our field Problem Resolution Program Offices.

Senator DeConcini: In Fiscal Year 1989, how many cases were reviewed by the Ombudsman and how many of these cases were resolved in favor of the taxpayer?

Mr. Goldberg: Even though there may be National Office review, PRP cases are worked in field offices. During FY 1989, over 400,000 taxpayers received PRP assistance in solving their tax problems.

Many PRP cases are merely correction of taxpayer account errors regardless of who or what caused them. The emphasis of the program is to correct errors and not be concerned about whether the correction is in anybody's favor.

Senator DeConcini: How much money and staff is budgeted for this office in Fiscal Years '90 and '91?

Mr. Goldberg: In Fiscal Year 1990 the Problem Resolution Program (PRP) is budgeted for 323 staff-years nationwide with a cost of $14.4 million. In Fiscal Year 1991, the staff-years are unchanged, while the nationwide cost increases to $15.3 million. In addition to the 323 budgeted staff-years, PRP used 82 additional staff-years in Fiscal Year 1989, funded by other Service activities, for a cost of $2,711,000. These additional staff years have continued to be provided to PRP in Fiscal Year 1990 and, if needed, will be provided in Fiscal Year 1991.

ELECTRONIC FILING

Senator DeConcini: Your proposed testimony states that the number of individuals utilizing electronic filing increased by 300 percent this year. If this trend continues, does the Service have sufficient capability to handle the increasing numbers of electronic filers?

Mr. Goldberg: The Electronic Filing Systems Office anticipated a significant number of returns being filed and took some actions this filing season, and have others planned for future filing seasons. An additional Archive Manager (ARCMAN) for the Graphic Subsystem was procured for the Cincinnati Service Center (CSC). Installation of an additional ARCMAN for the Andover Service Center (ANSC) and the Ogden Service Center (OSC) for the 1991 filing season is planned. The acquisition is subject to budget constraints in EFS, but is expected to be accomplished on schedule.

Enhancements will be made to the Data Communication Subsystem (Series/1) to streamline the processing of Electronic Filing data. Acquisition of support equipment, such as modems, will be processed to ensure service to the transmitter. The current filing season's capacity on the Series/1 is well within requirements. In late May 1990, system performance testing will be conducted to ensure requirements for the 1991 season are met.

Twenty-four additional workstations will complement the existing workstations at ANSC, CSC, and OSC.

A Business Master File Local Area Network will be installed at the Philadelphia Service Center with ten workstations installed there.

The Returns Storage Facility (RSF) will be installed at ANSC, CSC, and OSC for the 1991 filing seasons.

This facility will allow for multiple years of tax returns to be available on-line for use by those functions which need workstation access to these returns. Plans call for the phase-in of the RSF to all ten service centers.

Should the current actual volume of electronically filed returns be indicative of the future, serious consideration will be given to expanding electronic filing to two additional service centers in 1992, due to the heavy volume of returns. However, the current IRS position is to process returns in the three current service centers with no expansion, and ultimate migration in 1999 to the Information Systems Development initiative called the Document Processing System (DPS).

Senator DeConcini: Since practitioners charge customers for the cost of electronic filing, and because taxpayers benefit by receiving their returns earlier, would it be feasible for IRS to charge practitioners a fee for using this service?

Mr. Goldberg: We do not feel it would be feasible to charge a fee for electronic filing. Filers already have to make a cash outlay to invest in the equipment necessary to participate and are responsibile for paying the transmission costs associated with electronic filing. Charging a fee would be a disincentive to participate which is the opposite of what we are trying to accomplish with the program.

Senator DeConcini: Does IRS have any way of knowing how much money is collected by preparers for electronic filing?

Mr. Goldberg: This type of information is not currently readily available without requesting it from each preparer. We have never been interested in collecting this type of information since we do not tell electronic filers what to charge their clients, other than requiring that any charge for the electronic filing of a return not be based on a percentage of the refund amount.

Senator DeConcini: If a $5.00 fee was assessed each taxpayer and/ or practitioner for this service, $15 million would have been generated for the service this fiscal year. Has IRS considered the long-term benefits of establishing an electronic filing fee and, if so, what are your conclusions? If not, why not?

Mr. Goldberg: We have never studied the cost/benefit relationship of such a proposal. As previously discussed, we feel it would be a disincentive to participate in electronic filing if fees are assessed. IRS already benefits from electronic filing through reduced processing and storage costs.

Senator DeConcini: During last year's appropriations hearing I asked if IRS had any plans to offer the electronic filing option in your district offices, so that the public could have access to electronic filing without having to go to practitioners. At that time, your stated you were exploring the feasibility of this service.

What has been the result of your review?

Mr. Goldberg: The IRS is piloting a program in one of our disrict offices to allow for electronic filing in the walk-in area of Taxpayer Services. This district provides not only assistance (self-help or direct preparation) but also offers to file the return electronically. Coordination efforts are underway among the Electronic Filing Systems Office, Taxpayer Services, Public Affairs, and Legislative Affairs to study policy issues and logistics involved in expanding this program.

The results must be reviewed, in-depth, before making a decision to expand the availability of services. We must be convinced that it is cost-effective, feasible, and something we can offer to all taxpayers nationwide. Currently, our offices do not have the proper equipment or the staff to handle this additional workload.

Senator DeConcini: HOW MANY AGENTS DOES THE IRS CURRENTLY EMPLOY IN ITS CRIMINAL INVESTIGATIVE DIVISION?

Mr. Goldberg: Currently, there are 3,100 special agents on Criminal Investigation's rolls.

Senator DeConcini: HOW MANY OF THESE AGENTS ARE DEVOTED STRICTLY TO MONEY LAUNDERING INVESTIGATIONS IN '90? HOW ABOUT FOR '91 (EXCLUSIVE OF FINCEN?)

Mr. Goldberg: It is estimated that in FY 1990 there will be 514 special agents devoted strictly to money laundering investigations, and 643 in FY 1991.

Senator DeConcini: IF MONEY WAS NO OBJECT, HOW MANY ADDITIONAL POSITIONS COULD THE CRIMINAL INVESTIGATIVE DIVISION HIRE, TRAIN AND EMPLOY IN FY 91 TO FULLY SUPPORT ANTI-DRUG EFFORTS?

Mr. Goldberg: Criminal Investigation could hire, train and employ 400 in FY 91 to fully support the anti-drug efforts if money was no object.

Senator DeConcini: YOUR WORKLOAD ESTIMATES FOR TAX FRAUD INVESTIGATIONS INITIATED SHOW REDUCTION FOR BOTH THE GENERAL ENFORCEMENT AND SPECIAL ENFORCEMENT PROGRAMS. IN FY 89, GENERAL ENFORCEMENT INVESTIGATIONS INITIATED WERE 2,863 AND THIS NUMBER DROPPED TO 2,621 IN FY 90. THE SAME IS TRUE FOR THE SPECIAL ENFORCEMENT PROGRAM. AND, YOU ARE ASSUMING NO WORKLOAD INCREASES IN FY 91. WHY WILL THE NUMBER OF TAX FRAUD INVESTIGATIONS STAY THE SAME IN FY 91 GIVEN THE INCREASE IN THE BUDGET FOR CRIMINAL INVESTIGATIONS?

Mr. Goldberg: In FY 1990, the estimated number of investigations initiated in both the General Enforcement and Special Enforcement Programs is lower than FY 1989 because of a reduction in total special agent resources in FY 1990. These reductions are a result of the present hiring freeze imposed by the IRS.

Criminal Investigation's workload data is a computation based on the actual number of special agent staff years in the budget. In FY 1990, the IRS budget was reduced by the transfer of 215 special agents staff years to the Department of Justice for the Organized Crime Drug Enforcement Task Force (OCDETF) Program. Since the 215 staff years are not part of the IRS budget, the resulting 327 investigations initiated are not reflected in Criminal Investigation's workload estimates. The IRS has received an agreement from the Department of Justice for the reimbursement of these 215 staff years.

The estimated number of investigations initiated in FY 1990 and FY 1991 in the General Enforcement Program will remain approximately the same and is a direct result of the reduced staffing and the present hiring freeze imposed by the IRS.

The number of investigations initiated in the Special Enforcement Program will increase slightly due to the budget increase for Criminal Investigation in FY 1991.

DRUG FUNDING

FOR FISCAL YEAR 1991, THE IRS BUDGET CONTAINS AN INCREASE OF $19.9 MILLION AND 143 POSITIONS FOR IMPLEMENTATION OF DRUG ENFORCEMENT INITIATIVES AUTHORIZED IN THE ANTI-DRUG ABUSE ACT OF 1988. YOUR OVERALL BUDGET FOR THE CRIMINAL INVESTIGATIVE DIVISION INCLUDES A TOTAL INCREASE OF $25.3 MILLION AND 95 POSITIONS OVER THE '90 LEVEL.

Senator DeConcini: HOW MUCH OF THE $25.3 MILLION INCREASE AND STAFFING WILL BE DEVOTED STRICTLY TO MONEY LAUNDERING INVESTIGATIONS?

Mr. Goldberg: In FY 1991, $19.9 million and 143 positions will be devoted strictly to money laundering investigations.

Senator DeConcini: HOW MUCH WILL BE ALLOCATED TO THE FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN)?

Mr. Goldberg: Criminal Investigation will allocate $1.263 million to FINCEN in FY 1991.

Senator DeConcini: HOW MANY IRS ANALYST POSITIONS WILL BE REIMBURSED FROM FINCEN IN FY 91?

Mr. Goldberg: In FY 1991, 14 IRS analyst positions will be reimbursed from FINCEN.

Senator DeConcini: WHAT NUMBER OF IRS STAFF ARE PRESENTLY DEVOTED TO OPERATION ALLIANCE? HOW MANY WILL BE DEVOTED IN FY 91?

Mr. Goldberg: In FY 1989, the Internal Revenue Service's Criminal Investigation Division devoted 95 staff years conducting OPERATION ALLIANCE's investigations. We anticipate that this staffing will remain consistent for FY 1990, and be increased to approximately 115 staff years in FY 1991.

Senator DeConcini: WHAT ADDITIONAL ASSISTANCE COULD THE IRS PROVIDE TO OPERATION ALLIANCE IF FUNDING WERE NOT AN ISSUE?

Mr. Goldberg: The IRS could provide additional support to the law enforcement agencies involved primarily with narcotics interdiction. IRS would accomplish this goal by following up on financial leads provided by these agencies to uncover the entire drug trafficking organization, not just the couriers arrested, and by seriously crippling the drug trafficking organizations through seizures and forfeitures of their assets. In addition, through the OPERATION ALLIANCE concept, the IRS can furnish information about drug trafficking organizations that it uncovers separately to other law enforcement agencies.

Senator DeConcini: OF THE ADDITIONAL $12.4 MILLION PROVIDED TO THE SERVICE IN FISCAL YEAR 1990 FOR DRUG ENFORCEMENT ACTIVITIES. HOW MUCH OF THIS MONEY WILL BE DEVOTED TO FINCEN?

Mr. Goldberg: In FY 1990, Criminal Investigation will devote $1.113 million to FINCEN.

Senator DeConcini: PLEASE EXPLAIN HOW THE REMAINING FUNDS WILL BE ALLOCATED IN FISCAL YEAR 1990?

Mr. Goldberg: In FY 1990, the remaining funds will be fully absorbed in money laundering and narcotics related operations for the Service.

Senator DeConcini: DOES YOUR FY 1991 BUDGET INCLUDE THE FUNDS NECESSARY TO CONTINUE THE '90 ACTIVITIES?

Mr. Goldberg: The FY 1991 budget will allow Criminal Investigation to continue the '90 money laundering activities.

A-76 Savings

Senator DeConcini: Your budget contains savings of $4.9 million and a reduction of 587 positions as a result of A-76 in '91. What specific projects do you plan to undertake to realize these savings?

Mr. Goldberg: In order to realize these savings, IRS has identified the following three areas for A-76 review: the Centralized Inventory and Distribution System, Machine Services, and Service Center Returns Files.

Senator DeConcini: Have the studies been completed? If not, when do you expect completion?

Mr. Goldberg: All of the studies cited above are ongoing. A status report is provided as follows:

Centralized Inventory and Distribution System (CIDS)

A Project Office was formed in 1989 to conduct the A-76 Review of CIDS. Its detailed review plan, approved by the Assistant Commissioner (HRMS), calls for delivery of the A-76 solicitation package to Contracts and Acquisitions Division by September, 1990 and bid opening by third quarter FY-1991.

Machine Services (i.e., Service Center mailout function)

The Servicewide A-76 task force for Machine Services completed a draft MEO (Most Efficient Organization recommendations) and PWS (performance work statement) in September, 1989. Funding problems in acquiring the new technology (upon which both documents were based) have jeopardized timely completion of the A-76 review. Both documents are being rewritten to reflect delays in acquiring the new technology. Expected completion of the A-76 review is third quarter FY-1991.

Service Center Returns Files

Originally this project involved only the returns files at the Ogden Service Center. The bid opening and A-76 cost comparison took place in September, 1989. However, Internal Audit discovered an error in the solicitation process, which would have required rewriting the PWS and a new solicitation. In February, 1990, management decided to terminate Ogden's review, and include it in a consolidated review of returns files in all service centers. A task force to conduct this review will meet in June, 1990. Estimated completion is first quarter, FY-1992.

Senator DeConcini: If the conclusions of the study do not support the estimated savings, what impact will this have on those programmatic areas slated for reductions?

Mr. Goldberg: If the results of the studies do not corroborate the projected savings, obviously the impact will be felt both in terms of dollars and staffing. The level of impact however would most certainly depend upon the difference between our estimated savings and the actual amount of savings realized. This figure would be difficult to project at this time because the studies are still underway and no conclusions have yet been drawn.

Savings From OMB Circular A-76

Senator DeConcini: IRS' budget for fiscal year 1991 includes anticipated savings of about 600 positions and $4.9 million attributed to OMB Circular A-76. Similar "savings" in past IRS budgets have not materialized, and IRS has had to adjust its financial plan accordingly. In response to a question raised during last year's appropriations process, IRS cited three areas that had been selected for A-76 reviews and that IRS expected to complete in fiscal year 1990. The three areas were identified as the Centralized Inventory and Distribution System, Machine Services, and Returns Files at the Ogden Service Center. Please provide more specific information on what those areas involve and update the status of the three reviews. If the reviews have been delayed, please explain why.

Mr. Goldberg: Centralized Inventory and Distribution System (CIDS)

A Project Office was formed in 1989 to conduct the A-76 Review of CIDS. Its detailed review plan, approved by the Assistant Commissioner (HRMS), calls for delivery of the A-76 solicitation package to Contracts and Acquisitions Division by September, 1990 and bid opening by third quarter FY-1991.

Machine Services (i.e., Service Center mailout function)

The Servicewide A-76 task force for Machine Services completed a draft MEO (Most Efficient Organization recommendations) and PWS (performance work statement) in September,1989. Funding problems in acquiring the new technology (upon which both documents were based) has jeopardized timely completion of the A-76 review. Both documents are being rewritten to reflect delays in acquiring the new technology. Expected completion of the A-76 review is third quarter FY-1991.

Returns Files (Ogden Service Center)

The bid opening and A-76 cost comparison took place in September, 1989. However, Internal Audit discovered an error in the solicitation process, which would have required rewriting the PWS and a new solicitation. In February, 1990, management decided to terminate Ogden's review, and include it in a consolidated review of returns files in all service centers. (Reworking Ogden separately would take almost as long as the consolidated review itself; and with the consolidated review about to start, there is no advantage to keeping Ogden separate.) A task force to conduct this review will meet in June, 1990. Estimated completion is first quarter, FY-1992.

Senator DeConcini: Have any additional reviews been started? If so, please provide details.

Mr. Goldberg: Consolidated review of computer-print systems in all ten service centers began in September, 1989, covering an estimated 200 positions. Estimated study completion date is third quarter, FY-1991.

Consolidated review of returns files in all ten service centers covering 1,200 positions, will begin in June, 1990; estimated completion is first quarter, FY-1992.

Review of micrographics at Detroit Computing Center, covering 55 positions, will begin in May, 1990. Estimated completion is fourth quarter, 1991.

In lieu of an A-76 review, 268 FTE (full time equivalent positions) are being converted directly to contract (via an 8(a) vendor) for CTR (currency transaction report) processing at Detroit Computing Center; conversion began in October, 1989 and should be completed by September, 1990.

Senator DeConcini: IRS' progress in completing A-76 studies appears to be slow. Has IRS encountered any specific problems that have hindered its progress?

Mr. Goldberg: There are many barriers to implementing A-76 expeditiously. The procedures mandated by OMB Circular A-76 are complex, time consuming, and expensive (the government-wide average time to complete an A-76 review is 2 years; large studies can take much longer). There is no specific funding for A-76, and staff shortages in key areas, such as Contracts and Acquisitions Division, have caused unavoidable delays.

IRS represents Department of the Treasury on a study by the President's Council on Management Improvement to recommend improvements in the A-76 process. The PCMI study report will be delivered to OMB in September, 1990, and OMB has indicated willingness to work with PCMI to make A-76 less burdensome to the agencies.

A-76 Savings

Senator DeConcini: Your testimony indicates that your fiscal year 1991 budget does not take into consideration in space changes, telecommunications and postal rates. Do you have any idea, at this point, what those increased costs may be and whether or not you will be able to reprogram funds without affecting programmactic requirements?

Mr. Goldberg: There will be an increase of $20.5 million annually to accommodate the postal rate increase from $.25 to $.30 in FY 1991. The effective date of the rate change will determine the actual impact that the increase will have on the Service in 1991. The increase, if implemented after January 1, 1991, will not impact the mailing of tax packages because they are mailed in November and December. A substantial impact could be felt in the mailing of tax notices. To fund this mandatory increase, resources must be redirected from less essential non-staffing support areas.

We are currently in the process of re-evaluating space and telecommunications to determine overall requirements for the Service in FY 1991. If additional resources are determined to be needed after our re-evaluation, we will again reprogram funds to accommodate this increase.

SPECIAL PAY RATES

Senator DeConcini: What is the total estimated cost to the IRS in Fiscal Year 1990 for special pay rates?

Mr. Goldberg: $39 million is the total estimated cost for special pay rates in Fiscal Year 1990.

Senator DeConcini: What are the estimated costs in FY 1991?

Mr. Goldberg: The estimated cost for special pay rates for FY 1991 consists of three parts:

1 - The annualized estimate of the $39 million mentioned in the previous question is $41 million.

2 - We anticipate additional proposals may be submitted to OPM that will incur a cost in FY 1991. An estimate of the cost of these is not available at this time.

3 - The estimated FY 1991 cost of the locality pay, if enacted, is $42.2 million.

INFORMATION SYSTEMS

Senator DeConcini: In Fiscal Year 1990, the Committee earmarked specific funds requested by the IRS to support Tax Systems Modernization (TSM) activities. Public Law 101-136 stipulated that these funds could not be reprogrammed without the approval of the House and Senate Committees.

Since the Committee has not received any reprogramming requests for the IRS so far this fiscal year, am I correct in assuming that no Tax Systems Modernization funds have been reprogrammed for other activities?

Mr. Goldberg: You are correct that no Tax Systems Modernization funds have been reprogrammed to other activities.

Senator DeConcini: Do you anticipate that any of the funds provided for TSM will be reprogrammed this fiscal year? If so, please explain.

Mr. Goldberg: IRS does not plan to reprogram any of the TSM funds this fiscal year.

Senator DeConcini: If the committee provides the increase of $87 million, where will this place you vis-a-vis your long term Tax System Modernization?

Mr. Goldberg: The money requested for information systems in FY 1991 will be spent on systems which will be an integral part of the overall Service modernization efforts or will be a "bridge" system that will provide immediate benefits to the taxpayer or the Service while core systems are reconfigured. IRS is taking steps to ensure all current and developing projects fit into the architectural plans and that full integration can take place.

If the FY 1991 budget increases for information system projects are provided, the following efforts will be continued:

Continue the development, integration, and implementation of computer-based systems to receive, process, and archive tax administrative data transmitted electronically, magnetically, or on paper -- Integrated Input Processing System.

Continue the implementation of Service Center Departmental Applications projects which will replace many of the current manual operations and many partially automated and outdated systems currently at the service centers, including, for example, the Automated Underreporter (AUR).

Continue the development of a fully integrated information system architecture -- Systems Integration and Long Term Design.

Continue the development of a system that will provide Service employees with on-line access to tax account data -- Corporate Files On-Line.

Hiring Freeze

Senator DeConcini: Your testimony states that you have a partial or complete hiring freeze in effect for most of your programmatic activities. Please tell the committee which programmatic areas are not currently being subjected to the hiring freeze.

Mr. Goldberg: Only Inspection as a functional entity has been exempted from the freeze. There are four partial functional exemptions currently in effect:

Automated Collection System (ACS) call sites and the Service Center Collection Branch may hire up to their budgeted availability using a prescribed mix of permanent and temporary employees. Examination Support Units may hire personnel up to their funded workplan levels. Service Center Returns Processing may hire permanent employees to reach a 60/40 permanent/temporary employee mix.

Senator DeConcini: If the increases requested are provided, will this mean a complete lifting of the hiring freeze in FY 91? If not, please indicate which activities will still be under a complete or partial freeze?

Mr. Goldberg: If the increases being requested in the Service's FY 1991 budget are provided it is expected that the hiring freeze would be lifted for all activities. It should be noted, however, that unfunded requirements such as locality pay or other unanticipated costs could necessitate cost reduction actions during FY 1991 that could include the reimposition of a hiring freeze.

TRAINING

Senator DeConcini: How often do your revenue agents receive requalification and intermediate and advanced training once they have received basic training?

Mr. Goldberg: Revenue agents currently receive advanced corporate training approximately one year after receiving their basic/intermediate training. In addition, all examiners receive Continuing Professional Education (CPE) annually.

Senator DeConcini: The shortfalls in FY 89 and FY 90 have caused the IRS to defer training which is not essential to the employee's job. What effect has this had on IRS' ability to properly enforce the law?

Mr. Goldberg: The budget cutbacks have had an effect on the delivery of our CPE and specialty training programs. In FY 89, our CPE and specialty training were conducted only to a limited extent. In FY 90, CPE and Specialty training will be delivered at low or no cost. As alternatives to formal training, we are using innovative ways to keep the field current, such as workshops, senior agents acting as mentors to less experienced agents, and meetings at the front-line group level dealing with technical and procedural issues.

Senator DeConcini: Ideally, how often would a revenue agent receive training if costs were not a factor? In both fiscal years 1990 and 1991 what type of training did each agent receive?

Mr. Goldberg: The training package that we currently provide (basic training, followed by advanced training and then, as necessary, specialty training, such as Excise Tax, Employment Tax, Large Case, etc.) is the most effective progression of our training.

Thus far in FY 90, revenue agents have received all the training necessary to perform their jobs. Continuing Professional Education training is being conducted at low or no cost since funds are limited. In FY 91, we hope to provide all necessary training for revenue agents to successfully do their jobs.

AUDIT COVERAGE

Senator DeConcini: During the last year's appropriations hearing, I asked what was the anticipated audit coverage rate for individuals and businesses in fiscal year 1990. At that time, you indicated that for individuals the rate would be 1.23 percent and for businesses, 1.99 percent. Given the FY 90 funding shortfalls, what are you now estimating the audit coverage rates for both individual and corporations?

Mr. Goldberg: As we prepared this FY 1991 budget request, we estimated FY 1990 audit coverage to be 1.02 percent (approximately 0.8 percent for individuals and over 2 percent for corporations).

Senator DeConcini: What about for fiscal year 1991?

Mr. Goldberg: The individual coverage rate estimate is 1.00 percent and the corporate coverage rate estimate is 2.28 percent, or an overall coverage rate of 1.03.

Senator DeConcini: Did the increase in funds made available for this program in FY 1990 result in an increased level of counseling for the elderly?

Mr. Goldberg: Yes. Funds increased from $2.8 million in FY 1989 to $3.0 million in FY 1990. This year, we have 10 new sponsors in addition to the 35 returning sponsors. Sponsor range in size from the American Association of Retired Persons to a native American Indian sponsor in Fairbanks, AK who is assisting elderly taxpayers in rural Alaska. Figures through February 1990 show an increase of 58 percent over the same period in 1989 to 500,000 elderly taxpayers assisted by the TCE Program.

Senator DeConcini: Please explain what effect an increase to $3.5 million for this program could have in FY 1991?

Mr. Goldberg: This increase would provide additional assistance to elderly taxpayers through increased number of sponsors and volunteers. Due to expanded publicity of the TCE Program, we anticipate a record number of applications from organizations to be TCE sponsors for the FY 1991 Filing Season. At present, approximately 100 organizations have requested our package for next year in addition to the current 45 sponsors. For this filing season, a record 52 organizations applied as sponsors, requesting nearly $5 million in funds. An increase of $500,000 would enable us to approve more sponsors and meet their requests for additional funding to reimburse even more volunteers.

Senator DeConcini: The IRS does not have its own asset forfeiture fund. When investigations involving IRS employees result in the seizure of assets where do the proceeds from those forfeitures now go?

Mr. Goldberg: The disposition of the forfeited property depends upon which statute was used to forfeit the property and/or the type of forfeiture proceeding.

All of the property forfeited under the provisions of Title 26 (mostly property involved in wagering tax violations) is deposited into the General Fund of the Treasury. When property is forfeited under the provisions of Title 18 (property involved in money laundering or Bank Secrecy Act violations) the disposition of the proceeds is dependent on the type of forfeiture proceeding. If it is a judicial forfeiture (generally amounts greater than $100,000), the proceeds are deposited into the Department of Justice Asset Forfeiture Fund. If it is an administrative forfeiture (generally amounts less than or equal to $100,000), the proceeds are deposited into the General Fund of the Treasury. The differences in the dispositions are caused by statutory inconsistencies.

Senator DeConcini: Can you estimate what amount of funding has been given to the Department of Justice from IRS investigations.

Mr. Goldberg: Since the passage of the money laundering forfeiture provisions in October 1986, the IRS has contributed over $85 million in seized properties.

TREASURY FORFEITURE FUND

Senator DeConcini: Would you support legislation which would establish a separate forfeiture fund in Treasury which would allow the IRS access to use proceeds from seized assets?

Commissioner Goldberg: Assistant Secretary Nunez has been working with Treasury's law enforcement bureaus on this issue. There are a number of options which they and their staffs have been considering, some of which we have discussed preliminarily with the Committee's staff. While the idea of a Treasury Fund is attractive, the Department will want to consult with Justice, ONDCP and OMB before committing to any one course of action.

Automated Collection System (ACS)

Senator DeConcini: IRS considers ACS a major improvement in collecting delinquent taxes.

During past appropriations hearings, IRS presented information to show that ACS significantly reduced the cost of closing a delinquent account. IRS statistics show, however, that collections from ACS have declined about 20 percent over the past three years.

What is the current cost of closing a delinquent account in the Automated Collection System (ACS) and how much does IRS collect per case closed?

Mr. Goldberg: The current cost of closing a delinquent account is $35. The average amount collected per account closed is $831.

Senator DeConcini: To what does the IRS attribute the decline in ACS collections? Does ACS have sufficient computer and personnel resources to handle all of the delinquent accounts it could effectively handle? If not, what additional resources, both computer and personnel, are needed to fully realize ACS' potential?

Mr. Goldberg: As a result of an ongoing review, several changes were made to ACS case processing. Two decisions were made that had a significant impact on the amount of ACS receipts, and, as a result, the dollars available for collection. First, all trust fund liabilities over $10,000 bypassed ACS and went directly to the Field function. Second, all delinquent accounts over $100,000 also bypassed ACS. Both of these types of cases will be worked in ACS in FY 1990 which should increase ACS collections.

Several other reasons have also contributed to the decline in ACS collections:

1) There has been a significant increase in incoming calls into ACS. Many of these calls are not related to cases on ACS. This impacts on direct time applied to active accounts.

2) We recently improved our management of low dollar cases by giving ACS more authority to close certain

types of accounts and by systemically preventing certain types of cases from being reactivated solely because a new case appeared on the same taxpayer. Recent studies have shown that reworking these cases is not productive.

3) We do know that attrition is a serious problem in many sites due to our inability to pay competitive salaries. To help alleviate attrition problems, we are testing the concept of establishing remote processing sites that would be linked to established sites. The remote sites would not need new mainframe computers, one of the most costly components of an ACS call site. We anticipate establishing remote sites in areas with employment markets favorable to our needs.

Additional resources are being considered for ACS as part of the compliance initiative in FY 1991 and beyond. We are now reviewing field needs to determine the most effective placement of additional personnel in ACS as well as in the service center and field offices. We are also reviewing the need for additional terminals, communications equipment and related hardware at our call sites.

The current ACS mainframe computers are near the end of their expected system life, have limited expansion capabilities, and some call sites are near their maximum physical capacity to support additional workstations. The Integrated Collection System (ICS) procurement contract is expected to replace the ACS mainframe computers over a three year period, beginning as soon as early FY 1991. This replacement should provide expansion capabilities to meet our future ACS mainframe needs. Other management actions, such as nationwide implementation of team processing, full use of the available extended contact hours, and equipment and workload redistribution will allow us to meet workload demands until the mainframes can be replaced. We have also begun an ACS Planning effort to determine program and policy direction for ACS in this next phase of its development.

We are also attempting to acquire additional equipment and software to allow ACS personnel immediate access to the IDRS system, which provides additional information not available on the ACS terminals, to improve our customer service, eliminate delays, and resolve the growing number of non-ACS incoming calls being received at the call sites. This Connectivity solution will enhance the capabilities of our current equipment and the future mainframe configurations.

Delinquency Prevention

Senator DeConcini: In its November 1988 Transition Report on Internal Revenue Service Issues (GAO/OCG-89-26TR), GAO reported that IRS has not done enough in the area of delinquency prevention. Preventing delinquencies seems to be the most efficient way of dealing with the tax delinquency problem, what efforts does IRS have under way or planned to identify the causes of delinquencies? How will these efforts be incorporated in delinquency prevention programs?

Mr. Goldberg: There is a small business initiative designed to improve compliance by first-time business taxpayers, coordinated by Research Division in conjunction with Collection and Returns Processing. The goal of the initiative is to improve compliance by increasing the taxpayer's knowledge of filing and depositing requirements. When business taxpayers apply for a federal Employer Identification Number (EIN) using Form SS-4, a letter listing the taxpayer's filing requirements and an information brochure will be sent to the taxpayer. A Taxpayer Compliance Measurement Program on FY

1988 individual nonfiles will begin in June 1990. Data from this survey will be used to improve our case creation criteria, to revise our nonfiler formulas for updating the Resources and Workload Management System, to develop a contemporary profile of nonfilers, and to update the tax gap estimates for individual nonfilers.

Senator DeConcini: What delinquency prevention programs does IRS have in place and how does IRS measure the benefits from these programs? What have been the benefits?

Mr. Goldberg: The Federal Tax Deposit Alert program is designed to identify taxpayers who have stopped making federal tax deposits when their previous liability is over a certain dollar amount. If few or no deposits have been made during the first ten weeks of the quarter, an alert is issued for investigation by a revenue officer. This allows for early detection of potentially large delinquent employment tax liabilities.

Collection's Questionable Form W-4 program prevents delinquencies by correcting Forms W-4 which direct employers to withhold insufficient or no federal income tax from the employee's wages. Taxpayers submitting questionable Forms W-4 are asked to justify them; IRS then accepts the W-4 or directs the taxpayer's employer to increase withholding to a specified level. Ensuring adequate withholding encourages taxpayers to file returns which they might not otherwise file. This also reduces the number of balance due returns filed by taxpayers.

We do not have an accurate measure of the effects of these and other Collection programs on voluntary compliance. Our research has shown that the longer the delay in contacting a delinquent taxpayer, the less likely we are to collect the full amount due.

Employment Tax Delinquencies

Senator DeConcini: Instances in which employers fail to pay taxes withheld from employee wages pose special problems for IRS. Unlike most other taxes, these are not the businesses' taxes. Rather, they are the employees' taxes that have been withheld by the business for the government. GAO reported in November 1988 (GAO-89-26TR) that in some situations employers could accumulate a significant amount of delinquent taxes before intense collection action begins. When such situations arise, IRS is sometimes faced with seizing the business' assets to collect the delinquency and halt future delinquencies. This action can have socioeconomic repercussions by causing the business to file for bankruptcy, thus adding to unemployment.

What portion of the total delinquent taxes are made up of withheld eployment taxes?

Mr. Goldberg: As of December 31, 1989, 24% of Taxpayer Delinquent Accounts dollars and 28% of notice dollars are trust fund accounts.

Senator DeConcini: What special collection programs and procedures does IRS use to collect these withheld employment tax delinquencies? Are there any plans to change these procedures or add new ones? If so, please provide details.

Mr. Goldberg: The IRS has established various programs in an attempt to collect withheld taxes early in the collection process. These programs include the following:

The Federal Tax Deposit (FTD) Alert Program - The Federal Tax Deposit Alert program is designed to identify taxpayers who have stopped making federal tax deposits when their previous liability is over a certain dollar amount. If few or no deposits have been made during the first ten weeks of the quarter, an alert is issued for investigation by a revenue officer. This allows for early detection of potentially large delinquent employment tax liabilities.

Monthly Filer Program - Taxpayers who have a history of failing to timely deposit employment taxes may be recommended for the Monthly Filing program. These taxpayers are then required to file and report their employment taxes monthly rather than quarterly. Under this program, if the taxpayer fails to deposit and pay the taxes, the Service can accelerate assessment of the monthly return and proceed with collection action.

Accelerated Issuance of Employment Tax Accounts - The number of notices sent to taxpayers who owe employment taxes is reduced from five to three. Collection has shortened the period between the due date of the return and the delinquency check process to approximately 75 days for employment tax returns.

The automated 6020(b) program is used to file employment tax returns after the taxpayer neglects or refuses to file the delinquent return. The Service prepares a return for the taxpayer based on the last filed return. The taxpayer is then given the option of signing this tax return or submitting his/her own return for the delinquent period. This new program accounts for approximately 17% of delinquent Forms 941 filed.

SERVICE CENTER CORRESPONDENCE AUDITS

IRS' budget for fiscal year 1991 includes a request for an additional 634 staff-years and about $27 million to do more service center correspondence audits. These audits involve relatively simple issues that lend themselves to resolution through correspondence. IRS' budget document appears to include conflicting information as to the expected results of this initiative. In one place, the budget refers to expected additional collections of $1.6

million in fiscal year 1991 and $10.7 million in fiscal year 1992. In another place, IRS estimates that these added resources will generate $144 million in additional tax collections in fiscal year 1991.

Senator DeConcini: Which of the conflicting amounts in the budget document is correct and how was that amount derived?

Mr. Goldberg: The narrative in one place inadvertently eliminated the major source of the revenue for the Service Center initiative, i.e. service center contacts. These revenue estimates were based upon historical yield which was applied to projected staffing for the initiative.

The yield estimates that were calculated are as follows:

	FY 91	FY 92
Examinations	$1.6 million	$10.7 million
Contacts	142.4 million	200.0 million
Total Collections	$144.0 million	$210.7 million

Senator DeConcini: How productive have service center correspondence audits been in the past few years?

Mr. Goldberg: The Service Center correspondence audits have been very productive. In each of the last 3 years, the recommended tax has been in excess of $1 billion.

Senator DeConcini: What specific issues have proven to be the most productive in the past and would IRS expect those same issues to be productive in fiscal year 1991?

Mr. Goldberg: The Service found several issues in prior years that have proven to be highly productive in terms of dollars per hour. These issues include refusal to file a return, tax protestors, tax shelters and alternative minimum tax. We expect these same issues to be productive in Fiscal Year 1991.

Senator DeConcini: What controls does IRS have in place to ensure that the correspondence being sent taxpayers as part of this program is clear and that the issues being raised and tax adjustments being proposed are accurate?

Mr. Goldberg: We have two systems in place to ensure that correspondence being sent to taxpayers presents the issues clearly, and the proposed adjustments accurately. The first system involves a review of the taxpayer's case file during the examination process and the second involves a review at its conclusion. These reviews are to determine quality, timeliness and technical accuracy of our decisions and responses to taxpayers. In addition, service centers use computerized reports which compute the results of the examinations with enhanced accuracy.

Senator DeConcini: It is our understanding that the service center correspondence audit program was one of the programs adversely affected by cutbacks IRS implemented to deal with recent budgetary shortfalls. Please provide details on the extent to which that program was affected, including information on reductions in the number of audits done and revenues generated.

Mr. Goldberg: In Fiscal Year 1990 the hiring freeze has an adverse impact on our Correspondence Examination Program. The freeze, which has now been lifted, resulted in 167 lost positions to program accomplishments, representing a reduction of 71,000 examinations and contacts along with estimated losses of recommended tax and penalties of $69 million. The resources that remained available were utilized in conducting examinations of returns with issues having the highest yield potential.

Senator DeConcini: To what extent will the increase called for in the fiscal year 1991 budget merely restore cuts that occurred in fiscal years 1989 and 1990?

Mr. Goldberg: The FY 1991 initiative is not intended as a restoration of any prior year reduction actions. All prior year base reductions have been accounted for in revised FTE levels and revenue estimates.

UNRELATED BUSINESS INCOME

Sen. DeConcini: Several years ago, GAO reported that IRS did not have sufficient information on the extent to which tax-exempt oganizations failed to comply with the requirements surrounding unrelated business income (GAO/GGD-85-64, July 8, 1985)). GAO noted that without such information, IRS cannot routinely focus its examination efforts on high noncompliant organizations. In response to GAO's report, IRS began a study under its Taxpayer Compliance Measurement Program aimed at developing data to better select exempt organization returns for audits of unrelated business income. It is our understanding that the study has been completed and that data from the study has been incorporated into IRS' process for selecting exempt organization returns for audit.

Now that Taxpayer Compliance Measurement Program data has been incorporated into IRS' process for selecting exempt organization returns for audit, what has been the effect on IRS' ability to detect noncompliance with the unrelated business income tax?

Mr. Goldberg: The underlying examinations that form the basis of the Taxpayer Compliance Measurement Program were completed in September 1989. Data collected from these examinations is currently being tabulated. It is therefore much too early to determine the effect of the TCMP on our compliance activity in the UBI area.

TRAINING NEW REVENUE AGENTS

It has been documented by GAO and IRS that experienced revenue agents spend a significant amount of time training new revenue agents--time that they could have spent auditing returns and generating revenues. One of the initiatives in IRS's budget calls for contracting out revenue agent training--a step that is expected to generate about $13.8 million in additional audit revenues in fiscal year 1991.

Senator DeConcini: Can IRS provide more detail on its plans in this area? With what kind of training and how much of it does IRS plan to contract out?

Mr. Goldberg: Initially, IRS plans to contract out for its revenue agent recruit training program. We will use contract instructors to replace one or more revenue agent instructors in each of our basic phases of training. The number of contract instructors, however, will not be mandated so that the regions have the ability to use the best qualified instructors available.

Senator DeConcini: With what kind of organizations and/or individuals does IRS expect to contract?

Mr. Goldberg: It is anticipated that IRS will be able to contract with university professors, former IRS employees, accountants and tax law attorneys.

Senator DeConcini: Has IRS tested the feasibility of using contract trainers and, if so, what were the results?

Mr. Goldberg: Contract instructors were previously used on a limited basis in three regions. Overall, the results were positive.

Senator DeConcini: How will IRS insure that the contract instructors are knowledgeable enough about complex tax laws and examination techniques to offer training that meets IRS standards?

Mr. Goldberg: During the contracting process, IRS will evaluate the bidders based on established evaluation criteria. This will include relevant training experience, work experience and academic background.

Senator DeConcini: Are there any disadvantages associated with contract training?

Mr. Goldberg: Contract instructors will be limited to instructing technical tax law topics. Procedural issues, as well as topics unique to IRS will need to be covered by IRS instructors.

Senator DeConcini: Are tax returns or other types of tax-related information used during training and, if so, how will IRS protect their confidentiality during contract training?

Mr. Goldberg: The training program does not include any live returns or return information. All training materials are available under the Freedom of Information Act (FOIA).

Senator DeConcini: Are there other things IRS can do to reduce the training burden associated with new staff?

Mr. Goldberg: Presently the IRS is proposing to restructure the revenue agent recruit training program from its present four phase format to a two phase format. The proposal will significantly reduce the time spent in the classroom. This will be accomplished by combining corporate tax training (formerly phase 3) into phase 2, and converting partnership and Subchapter S corporation training (formerly phase 4) into specialty training which will be given as needed. On-the-job training will be reduced by approximately 30 percent.

For the advanced and specialty tax courses, we will consider the use of contract instructors as well as contracting out course development. Since experienced revenue agents are familiar with the procedural aspects of the job, no longer requiring the IRS perspective in the classroom, the use of contracting in this manner may prove to be beneficial and cost effective.

INTEGRITY INVESTIGATIONS

Senator DeConcini: What type of transactions are considered to be high-risk and subject to Internal Audit review?

Mr. Goldberg: There are two approaches that Internal Audit uses to examine high-risk Service transactions. First, Internal Audit has divided IRS programs into approximately 125 assessable units and reviews high-risk transactions within each of these units as part of its normal review process. Transactions defined as "high-risk" include those where cash or checks are handled such as Taxpayer Remittances, Refund Processing and Imprest Funds and those subject to fraud or manipulation such as Taxpayer Account Adjustments, Procurement and Accounting. Second, Internal Audit and Internal Security cooperate in examining transactions where an internal audit or investigation has revealed specific integrity problems that require further analysis. For example, Internal Audit and Internal Security cooperated on an intensive review of emergency salary payments made to Service employees that uncovered numerous instances of fraud and abuse.

Senator DeConcini: Besides an Internal Audit division, IRS has an Internal Security division, whose responsibilities include the conduct of integrity investigations. Please explain how Internal Security's role in integrity investigations differs from Internal Audit's and why additional resources for integrity work are being sought for Internal Audit and not Internal Security.

Mr. Goldberg: First of all, we need to differentiate between the integrity programs conducted by Internal Audit and Internal Security and integrity investigations conducted solely by Internal Security. The integrity programs of both divisions are designed to be proactive. In other words, we don't wait for allegations of fraud or misconduct to surface in a high-risk area before examining it; we go out and subject these areas to special review and analysis before problems become pervasive. Both divisions integrity programs also have a deterrent effect because our employees know that high-risk areas may be subjected to random, unscheduled review at any time. On the other hand, integrity investigations conducted by Internal Security are done in response to a specific allegation or the need for a background check on an employee. These investigations are the majority of the day-to-day business of Internal Security and preserve Service integrity by ensuring that we hire and retain employees that meet our high standards and promptly investigate any allegations of misconduct.

Resources expended on Internal Audit's integrity program are divided into four major areas. First is coverage of high-risk areas during normal audit coverage as I just discussed. Second are presentations to management on internal controls where the results of past audits and trend analysis are used to show functional managers how to recognize and combat control breakdowns in their programs. Third are integrity projects where an area like accounts closed as uncollectible by Revenue Officers will be subjected to special analysis and any potential integrity breaches referred to Internal Security for detailed investigation. Fourth is providing assistance to Internal Security in wide-scale investigations such as the emergency salary payment fraud mentioned previously.

Internal Security's integrity program is divided into five main areas. They give integrity presentations to all front-line Service employees on bribery and fraud and how to deal with potential assault situations. They conduct tests on Service employees that directly handle taxpayer remittances to ensure that all funds received are properly processed and accounted for. As mentioned, they cooperate with Internal Audit and they also initiate their own integrity projects such as sending a cooperating Revenue Agent or Officer into a business area where both noncompliance and instances of bribery have been high. Finally, since the great majority of Internal Security investigations come from allegations received from employees or outside sources, they expend time on liaison activities with local law enforcement, IRS employee groups and confidential informants.

More integrity resources are being requested for Internal Audit in FY 1991 to make up for the drastic declines cited in the GAO report. Time expended on the

Internal Audit integrity program should be at 9% of total time and it declined to less than 5% during FY 1980 - FY 1988. On the other hand, we have been able to maintain time on the Internal Security integrity program at approximately 5% which we consider an adequate commitment.

Senator DeConcini: How many staff years do Internal Audit and Internal Security expect to devote to integrity investigations in fiscal year 1990 and how does IRS expect these numbers to change in fiscal year 1991? Please provide separate data for each function.

Mr. Goldberg: Internal Audit's integrity program will expend approximately 62 staff years in FY 1990 and will increase to 67 in FY 1991 assuming Congressional approval of our request. Time expended on Internal Security's integrity program will be maintained at 5%, or approximately 34 staff years in FY 1990 and 36 in FY 1991.

Senator DeConcini: Please explain the interrelationships between IRS' Internal Audit and Internal Security Divisions and Treasury's Inspector General. Who is responsible for what and how are these responsibilities coordinated?

Mr. Goldberg: The Assistant Commissioner (Inspection), who has direct line authority over the Internal Audit and Internal Security divisions, reports to the Commissioner of IRS. Internal audits and investigations dealing with IRS programs and employees are conducted by the Assistant Commissioner (Inspection) with the results reported to both the Commissioner and the Inspector General. The Inspector General provides oversight of IRS Inspection, investigates allegations of misconduct of senior IRS officials and performs joint audits and investigations with IRS and other bureaus of Treasury programs.

Since the Assistant Commissioner (Inspection) consults and meets regularly with the Inspector General, coordination problems are minimal and can be quickly and easily resolved. IRS recently transferred resources to the Inspector General to provide them with sufficient staff to conduct Internal Security investigations on senior-level IRS officials GS-15 and above and on all Inspection employees. In addition, they were given staff to allow them to conduct regular reviews of all the Service's Internal Audit and Internal Security programs. I strongly supported giving the IG these resources and welcome this independent oversight that will allow me to ensure that IRS Inspection programs are being run as well as possible.

Senator DeConcini: How will the integrity work being done by the Inspector General and by IRS' Internal Audit and Internal Security be coordinated to avoid duplication? Who is primarily responsible for identifying and investigating potential integrity breaches within IRS?

Mr. Goldberg: The Inspector General is not directly involved in the integrity programs run by IRS Internal Audit and Internal Security that I described earlier. As I also mentioned earlier, the IG is involved in review and oversight over all Inspection programs including integrity and investigates any misconduct allegations on senior IRS officials. If the IG feels that a particular integrity issue in the Service should be directly investigated by his office, he has the authority to do so. There is no overlap of responsibilities and we have not experienced nor do we anticipate any coordination problems in the integrity program.

Senator De Concini: What does IRS believe is an appropriate expenditure, in terms of staff time, on correcting errors and assuring quality?

Mr. Goldberg: The IRS now expends five percent of direct staff hours monitoring quality; three and one-half percent is expended on employee evaluations; the remainder is used for product review. This figure does not include those areas of rework within our pipeline/non-pipeline activities (Error Resolution, Unpostables, Tax Account Activity, etc.). These areas account for additional expenditures which range from 14 to 21 percent of total staff hours.

Our long term goal is to achieve the five percent level for correcting errors and assuring quality throughout the pipeline/non-pipeline process, including Quality Assurance. This goal can be achieved through our continuing Quality improvement/breakthrough process which has gained momentum over the past several years. Although the attainment of "zero defects" is an admirable goal and is being actively pursed in some quarters of the private sector we believe that its pursuit will require significantly higher expenditures in the areas of quality appraisal and prevention. Considering current and projected budget constraints this approach would not be practicable.

The Service is now in a Quality planning and transitional stage in an attempt to achieve an optimum level of error free performance through improvement. Consequently, we are expending a disproportionate amount of staff years in the areas of quality appraisal and prevention to achieve meaningful improvements throughout the pipeline/non-pipeline process. With the initialization of any Quality program (planning and transition) increased expenditures are required in order to research, analyze control and improve our system so that failure costs and processing costs can be significantly reduced and the organization's optimum Quality goal can be achieved.

Senator De Concini: What measures does IRS have to assess Service Center quality? What do the most recent measures show?

Mr. Goldberg: A number of quality processes are available to provide helpful information. These quality processes identify specific problems and responsible functions. They also enable an analyst to assess problems and make recommendations for improvements. Below are descriptions of the major processes.

1. Program Analysis System (PAS) - PAS is a program review system that identifies overall systemic and procedural causes of errors by identifying the source, description and point of error, and provides management with important feedback on program effectiveness. The specific areas that PAS reviews are the Error Resolution System (ERS) - both IMF and BMF (Form 941), Adjustments (ADJ), Correspondence (COR), generalized Unpostable Framework (GUF), Output Review (ORA), and Refund Inquiry (RIP).

2. Process Review - Process Review is a work-in-process review that provides management with immediate feedback on the status and "fitness for use" of the products produced by any service center function. The focus of the review is determined by a joint agreement between the managers of the function to be reviewed, and the Quality Assurance Branch. Feedback includes narrative reports and trend charts.

3. Quality Analysis - QA's are special studies of an operation or process to determine and report whether it is functioning properly and whether it is conforming to established procedures, or to determine the core cause of a problem. Reports and recommendations are given to management at the end of the Quality Analysis.

4. Performance Indicators - Performance indicators (trend charts) are methods of capturing specific data from key processing points in service center functions.

They are used in conjunction with existing quality monitoring systems. PAS, Process Review, and Quality Analysis can provide insight into why a particular performance Indicator is out of statistical control.

5. Individual Review - The Individual Review process is designed to sample individual work units for the purpose of providing feedback to the employee, and to the functional manager. This provides the basis for evaluation of the employees performance, and the assessment of training needs.

PAS Adjustments shows an upward trend in accuracy rates of cases processed in the Adjustments/ Correspondence Branch, and improvement in 1989 from 75.3% accuracy in June to 80.7% in November.

The most recent data collected from PAS-ERS (IMF) shows that the most common error the taxpayers are making is claiming earned income credit when they're not entitled to it. The most common Service center error occurs in Data Conversion. The transcribers are failing to enter the Dependency Status Indicator.

Senator De Concini: What are IRS' most critical quality problems at the service centers and what specific causes has IRS identified? What is IRS doing to remedy those causes?

Mr. Goldberg: At a recent executive level conference, a number of processing problems were identified as critical. These include : **Federal Tax Deposit Form (8109B)** - a mismatch between the name on the Form and the FTD database; a mismatch between the Employer Identification Number (EIN) on the form and the FTD Database; misclassification of trust fund money due to the erroneous designation of tax on the form. **Processing Codes** - Code & Edit failed to edit the Returns

Processing Code. Code & Edit failed to edit the exemption for other dependents. Code & Edit omitted the Status Indicator Code on Form 941.

Other Than Full Paid error rates - The error rate on other than full paid returns increased after the peak filing season.

Earned Income Credit - Errors concerning Earned Income Credit (EIC) are a problem throughout the service centers.

Correspondence - Service centers are not corresponding or are corresponding incorrectly with the taxpayers.

Primary Social Security Number - Primary social security numbers are incorrectly transcribed.

Each service center was assigned a specific problem and is expected to study it and recommend solutions. National office analysts are coordinating each of these studies.

The Quality Improvement Process (QIP) involves teams of employees who meet regularly, and using analytical techniques and methods, discuss chronic problems that affect their operations. After a probable solution has been determined, the group follows through with a testing phase, then a solution monitoring phase.

Additionally, the Program Analysis System (PAS) is an ongoing process which collects data from all ten service centers on a weekly basis. The information is analyzed and is provided to the functional areas at both the service center and national office levels.

Senator De Concini: What impact have the numerous quality improvement projects undertaken at the service centers had on reducing the cost of poor quality?

Mr Goldberg: To date there have been some significant improvements in reducing the cost of poor quality within the pipeline/non-pipeline process. Quality improvements were mainly experienced in the rework areas of Error Resolution , Adjustments , and Unpostables through the extensive use of Quality appraisal and prevention techniques.

We are now in the process of developing a system to specifically track the cost of poor quality as it relates to the organization's operating costs. Once this system is in place, we will be better able to quantify the savings stemming from improvements made to our pipeline/non-pipeline process and track our effectiveness in reducing the cost of poor quality.

SERVICE CENTER STAFFING

Senator DeConcini: In response to questions raised during last year's appropriations process, IRS said that it wanted to increase the ratio of permanent to seasonal employees at the 10 service centers to 60/40. At that time, according to IRS, permanent employees accounted for less than 50 percent of service center staff. IRS said that increasing the ratio to 60/40 would reduce recruitment costs, reduce training needs, and lead to a more experienced work force.

1. Is the 60/40 ratio still an IRS goal? If so, what progress has been made in achieving it?

Mr. Goldberg: We have issued a general guideline to the service centers for a 60/40 mix. As of December 31, 1989, we have achieved a 56/44 ratio in our FY 1990 Current Financial Plan.

Senator DeConcini: 2. For fiscal year 1991, IRS is requesting funds for 528 additional permanent positions for the returns processing and accounting function. How would this increase change the permanent/seasonal ratio?

Mr. Goldberg: Our request for 528 additional positions (offset somewhat by a decrease in the other category) will have a positive effect in moving toward our goal of a 60/40 mix. A recalculation indicates that we would be close to a 57/43 mix.

Senator DeConcini: IRS has had a hiring freeze in effect since October 1988. Coming on the heels of that freeze, to what extent will the increased enforcement staff called for in the 1991 budget merely allow IRS to fill positions left vacant because of the freeze? Please provide specifics on the number of revenue agents and revenue officers on board as of September 1988, the number currently on board, and the number IRS would expect to have on board after completing the additional hiring contemplated by the 1991 budget.

Mr. Goldberg: The increased enforcement staffing called for in the FY 1991 budget serves to augment current staffing levels. The current staffing levels will serve as a base upon which the additional staffing will build.

Time Period	Number of Examination Revenue Agents	Number of Collection Revenue Officers
Sept. 88	17,323	8,432
Feb. 90	15,924	7,775
Feb. 91	16,312	8,175

Senator DeConcini: Is it the IRS's goal to provide all front line assistors with an ATSS computer and, if so, how many computers would the IRS need to do that? Would any backup assistors be given ATSS computers, and if so, how many?

Mr. Goldberg: Ultimately, it is our goal to provide all front line assistors with a computer and to provide computers to back up technical personnel and managers. We estimate that at least 8600 computers will be required to accomplish this. This also includes assistors at non toll-free posts of duty. About 7600 of these will be used for direct taxpayer assistance; the remainder will be used for support activities.

Senator DeConcini: IRS has requested 9.8 million for the Expert System Module. What will the money be used for and how many computers will it buy? Will it permit expansion of the module to the rest of IRS's toll-free telephone sites in time for the 1991 filing season?

Mr. Goldberg: In the FY 1991 budget, IRS requested $9.8 million for purchase of equipment and peripherals necessary to support the Expert System portion of ATSS. Those funds were requested to purchase hardware, software and network peripherals for those sites that would best benefit from immediate implementation of the Expert System.

The Service is, however, currently looking at options for an accelerated implementation of the Expert System. The Service recognizes that the test in Boston has not been fully evaluated, but is considering those options as contingencies.

The $9.8 million requested in the FY 1991 budget will not permit expansion of the Expert System to all toll-free sites in FY 1991. Rather it will permit expansion to those sites that can benefit from the immediate implementation of the Expert System Module based on their performance and on their readiness to accept the system.

Senator DeConcini: The $9.8 million IRS has requested is not based on the results of the system test in Boston or on an evaluation of the success of this test. Why should this much money be approved for a system that IRS has not completed testing?

Mr. Goldberg: Preliminary results from the Boston evaluation are encouraging. The final decision to expand beyond Boston is, of course, contingent on further evaluation which will be completed by the end of the 1990 filing season. We are committed, however, to providing taxpayers who ask us for assistance with the best service we can give them. We have made no final decisions with respect to expanding these projects to additional call sites. At the present time, however, we anticipate the following for the 1991 filing season: Three of our 31 call sites will include both the Boston and Dallas efforts and will also automate a number of related taxpayer service functions. In addition, we will place the expert system in approximately 4 additional call sites. At the same time, of course, we will build on our experience this year to improve the quality in the remaining 24 locations. Thus, in an effort to provide improved quality at the earliest possible date, we are considering an accelerated implementation schedule should the Boston test be evaluated as a success.

In the event the Expert System needs an additional filing season of testing, the money would be available in the last half of FY 1991 for the accelerated roll out.

Senator DeConcini: Last year IRS requested an additional $55 million dollars for upgrading and stabilizing the Taxpayer Service work force, which was aimed at improving the quality of assistance. This year IRS again states that shifting to permanent employees should result in quality improvements. Yet, even though the number of full-time permanent assistors increased by 703 between 1988 and 1989 and by about 1,500 since 1987, IRS' own measures of assistors' accuracy showed no improvement over that period. Based on these results, why does IRS continue to request additional resources for converting temporary employees to permanent status?

Mr. Goldberg: Taxpayer Service did not receive additional funding in fiscal year 1990 to upgrade and stabilize our work force. The number of full-time permanent assistors increased by 882 between 1988 and 1989 during the Filing Period and by 185 for the entire year. Since 1987, permanent positions have increased by 1,028. We recognize that quality service is influenced by experience as well as training. IRS' own measurement of improvement shows that for toll-free telephone technical tax law, accuracy has improved significantly. Although we have reduced the percentage of temporary assistors from 59 percent in fiscal year 1988 to 48 percent in fiscal year 1989, we still rely heavily on temporary assistors for staffing. During 1990, as of the end of January, temporary employees continue to make up 48 percent of technical staff. Temporary employees have an historically high attrition rate which results in a costly effort each year to recruit approximately 2,000 new employees. Recent workload reviews reflect that districts can effectively use a 75 to 25 permanent-to-temporary ratio at the low point in Taxpayer Service staffing.

Accordingly, we have asked the districts to hire up to 75 percent of their lowest on-board technical staff as permanent employees. No additional funds have been requested in the budget to fund this increase. In fiscal year 1990 any increased permanent positions will be funded from available resources and in fiscal year 1991 from reprogramming from toll-free telephone circuitry funds.

Senator DeConcini: To what does IRS attribute these disappointing results and what can be done to improve performance?

Mr. Goldberg: The conversion to a higher ratio of permanent employees has been a gradual process which is beginning to yield the expected benefits. Although the percentage of temporary assistors remained at 48% in 1990 as well as in 1989, we have experienced a significant increase in the accuracy of assistor responses in 1990. We assume that this improvement is, in large part, the result of our reduction of temporary staff from the 1988 level of 59%, and is reflective of the experience gained by the converted assistors.

Senator DeConcini: What accuracy level is it reasonable to expect given the current nature of the telephone assistance program? Recognizing that 100 percent accuracy is unrealistic, what level of accuracy would IRS find acceptable? What needs to be done to achieve that level?

Mr. Goldberg: As we have said on many occasions, taxpayers are entitled to correct answers from the IRS every time they call. Perfection is the only acceptable goal for this Agency in everything we do.

While our progress is noteworthy, we can -- and should do better next year. We have learned a great deal from progress we have made, and are already developing strategies to improve our performance again during 1991.

Senator DeConcini: What factors explain the variation in accuracy rates among the toll-free sites?

Mr. Goldberg: Various factors are intrumental in the difference in accuracy levels among the toll-free sites. Examples of these are: the quality of the labor market from which new employees are selected; the number of years assistors have worked providing taxpayer service; and, the availability of experienced managers to provide direction for new employees.

INCOME TAX

Senator DeConcini: Recently a number of constituents have brought an Issue to my attention and I would like your reaction. A woman who has not used her one-time, over 55 capital gains exemption for the sale of her home remarries. Her second husband took this exemption six years ago before these two had even met. The IRS has ruled that the woman, who owns a home in her own name, is not allowed to use the exemption because her current husband used his already, even though he did it before they knew each other. If the two file separately, why isn't the woman allowed to take her one-time only exemption?

I realize you may not have the answer to this question at your fingertips, but this seems to be a legitimate concern. I am interested in knowing the justification behind this ruling.

Mr. Goldberg: As you are aware, section 121(a) of the Internal Revenue Code provides that, at the election of the taxpayer, gross income does not include gain from the sale or exchange of property if (1) the taxpayer has attained the age of 55 before the date of such sale or exchange, and (2) during the 5-year period ending on the date of sale or exchange, such property has been owned and used by the taxpayer as his principal residence for periods aggregating 3 years or more. Section 121(b)(1) of the Code provides that the amount of the gain excluded from gross income under section 121(a) shall not exceed $125,000 ($62,500 in the case of a separate return by a married individual).

Section 121(c) of the Code provides, in part, that in the case of a taxpayer who is married, an election under section 121(a) may be made only if the taxpayer's spouse joins in the election. Section 121(d)(6)(A) of the Code provides that, for purposes of section 121, the determination of whether an individual is married shall be made as of the date of the sale or exchange.

Section 121(b)(2) of the Code provides that section 121(a) shall not apply to any sale or exchange by the taxpayer if an election by the taxpayer or his spouse under section 121(a) with respect to any other sale or exchange is in effect. Section 1.121-2(b)(1)(ii) of the Income Tax Regulations states, in part, that a taxpayer may not make an election to exclude from gross income gain from the sale or exchange of a principal residence if there is in effect at the time the taxpayer wishes to make such election an election made by the taxpayer's spouse (such marital status to be determined at the time of the sale or exchange by the taxpayer) under the provisions of section 121(a) in respect of any other sale or exchange of a residence (without regard to whether at the time of such sale or exchange such spouse was married to the taxpayer).

The legislative history accompanying the enactment and subsequent amendments made with respect to section 121 indicate clearly that Congress did not intend for section 121 to apply separately to taxpayers who are married at the time of the sale of a home. See H.R. Rep. No. 88-749 (1963); 1964-1 C.B. (Part 2) 284-86. Section 1.121-2(b)(1)(ii) of the regulations, cited above, merely restates report language. Additionally, H.R. Rep. No. 88-749 contains the following example illustrating the application of the then newly enacted section 121(b)(2):

Example.- Assume that while A and B were married, A sold his separately owned residence and made an election under section 121(a) in respect of such sale. Pursuant to the requirements of section 121(c)....B joined in such election. Subsequently, A and B are divorced and B marries C. While B and C are married, C sells his residence. C is not entitled to make an election under section 121(a) since an election by B, his spouse, is in effect at the time of such sale.

Similarly, in H.R. Rep. No. 95-1445, pp. 135-6 (1978); 1978-3 (vol. 1) C.B. 309-10, relating to certain 1978 amendments to this section, it is stated:

There is to be only one lifetime exclusion with respect to married taxpayers. In other words, the election does not apply separately to each spouse.

If spouses make an election during marriage, and subsequently become divorced, no further elections are available to either of them or to their spouses should they [re]marry.

QUESTIONS SUBMITTED BY SENATOR KERREY

Senator Kerrey:	Last year there was some concern among employees of the IRS in Nebraska that they were understaffed. Could you provide an update on the situation in the State -- how many employees do you currently have, how does this compare to 1988 and 1989, where could additional employees be used?
Mr. Goldberg:	IRS has a District Office and a District Counsel office in Omaha, Nebraska. We currently have approximately 373 employees in our Nebraska sites. In 1988 there were approximately 371 employees and in 1989 382 employees. Additional staffing is required in the Examination and Collection areas as a result of the enforcement

initiatives proposed in the President's FY 1991 budget.

Senator Kerrey: My state offices have received a number of calls from constituents who say that they have found it impossible to get through on the 1-800 number. Do you have any way of monitoring calls or knowing how many attempts to get through are unsuccessful? How many calls are being handled on the 1-800 number?

Mr. Goldberg: The telephone equipment we have enables us to record the number of taxpayer calls which are answered and the number of times callers receive a busy signal. For the first twelve weeks of this filing period, our Omaha answering site, which serves all Nebraska, answered 89,201 calls and recorded 114,385 busy signals, many of whom eventually reach us. Level of service is computed by dividing the number of calls answered by the adjusted demand, the total call attempts composed of calls answered, plus busy signals plus hang-ups, adjusted to arrive at the actual number of individuals involved. In addition, some calls may be blocked in the AT&T network. We do not track these calls.

Senator Kerrey: Last year, GAO reported that much of the information given out on the 1-800 number was incorrect. What have you done to correct the inaccuracies? Have you or has GAO done any follow-up to check on the accuracy of information currently being provided?

Mr. Goldberg: This year represents the second year regional diagnostic centers have been in place. Their function is to identify problem areas and trends at their call sites and formulate and implement corrective actions. Through data gathering, we have identified training needs and have enhanced our training and research materials. This year, we formalized and expanded the nationally developed Probe and Response Guide. The guide was developed to establish uniform standards and to promote consistency in the service we provide.

Both IRS and GAO are monitoring the accuracy of the information being provided during the current filing season. The monitoring results show that the accuracy as measured by GAO is 78% and as measured by IRS 76.2%.

INCOME TAX

Senator Kerrey: My office had a report that the IRS had recently changed its policy regarding the taxability of graduate fellowships. What is current IRS policy regarding this? Does this represent a change?

Mr. Goldberg: The law governing the taxability of scholarships and graduate fellowships was amended by the Tax Reform Act of 1986. The law as currently in effect, and the changes affecting graduate students, are discussed below.

The federal tax treatment of qualified scholarships and fellowship grants is addressed in section 117 of the Internal Revenue Code. Section 117(a) provides that gross income does not include any amount received as a qualified scholarship by an individual who is a candidate for a degree at an educational organization described in section 170(b)(1)(A)(ii). To be considered a scholarship or fellowship grant, an amount need not be formally designated as such. Generally, a scholarship or fellowship grant is any amount paid or allowed to, or for the benefit of, an individual to aid such individual in the pursuit of study or research, whether at the undergraduate or graduate level. There are no restrictions limiting the use of qualified scholarships and fellowship grants to undergraduate studies.

Section 117(c) of the Code, implementing changes made by the Tax Reform Act of 1986, Pub. L. No. 99-154, provides that the exclusion for qualified scholarships shall not apply to that portion of any amount received which represents payment for teaching, research, or other services by the student required as a condition for receiving the qualified scholarship or fellowship. Prior to its amendment by the Tax Reform Act of 1986, section 117(b)(1) of the Code provided for the possible exclusion of stipend income in the case of students performing teaching, research, or other services in the nature of part-time employment. Under an exception to the general rule requiring the inclusion of amounts representing payment for services, if certain conditions were satisfied and if the primary purpose of the grantor-school in making the stipend payments was to further the education and training of the recipient in his or her individual capacity, stipend income was excludable from the student's gross income. This exclusion typically affected graduate students.

Section 117(d)(1) of the Code addresses the federal tax treatment of "qualified tuition reductions," and provides, generally, that gross income does not include any qualified tuition reduction. Section 117(d)(2) defines a qualified tuition reduction, and provides that the term means any reduction in tuition provided to an employee of an educational institution described in section 170(b)(1)(A)(ii) of the Code for the education (below the graduate level) at such institution (or at another organization described in such section) of such employee, or any person treated as an employee (or whose use is treated as an employee use) under the rules of section 132(f) of the Code.

The requirement limiting the exclusion of tuition reductions from gross income to education below the graduate level is statutory, and does not constitute an administrative policy on the part of the Service.

There is one exception to the restriction limiting the use of qualified tuition reductions to undergraduate studies. Section 117(d)(5) of the Code provides that, in the case of an individual who is a graduate student at an educational institution described in section 170(b)(1)(A)(ii), and who is engaged in teaching or research activities for such organization, section 117(d)(2) shall be applied as if it did not contain the phrase "below the graduate level."

As in the case of scholarships and fellowship grants, the exclusion provided for qualified tuition reductions is subject to the compensation limitations of section 117(c), cited above, meaning that the exclusion will not apply to that portion of any amount received which represents payment for teaching, research or other services by the graduate teaching or research assistant required as a condition for receiving the qualified tuition reduction. Thus, only amounts beyond those which are compensatory are excludable under this provision.

The legislative history behind section 117(c), as amended by the Tax Reform Act of 1986, indicates that Congress felt, consistent with the overall objectives of the Act, that principles of fairness required that all compensation should be given the same tax treatment; that is, some individuals (e.g., students who perform teaching services for universities) should not receive more favorable tax treatment of their compensation than other individuals who earn wages. The changes made to section 117 by the tax Reform Act of 1986 were generally effective for tax years beginning on or after January 1, 1987.

In addition to the changes to section 117 of the Code respecting scholarships, another recently changed provision of law affected the taxability of graduate educational assistance programs. Section 4001(b)(1) of the Technical and Miscellaneous Revenue Act of 1988 (TAMRA), Pub. L. No. 100-647, modified the exclusion provided by section 127 of the Code for employer funded educational assistance programs. TAMRA amended the definition of "educational assistance" so that, for tax years beginning after

December 31, 1987, the exclusion does not apply to any payment for, or the provision of any benefit with regard to, any graduate level courses of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced or professional degree.

Employer provided educational assistance for graduate level study continues to be excludable if it meets the requirements of a "working condition fringe" benefit as described in section 132(d) of the Code. See section 132(h)(9) of the Code.

Senator Kerrey: How many determinations, letters, opinions, telephone conversations, contacts, tax bills or correspondence has the IRS had in the past two years with charitable organizations regarding unrelated business income tax?

Mr. Goldberg: Our management information systems do not collect the information you have requested. However, we do have attached proposed unrelated business income (UBIT) deficiencies for charities that we examined during fiscal years 1988 and 1989.

In terms of taxpayer contacts, the Service updated Publication 598 (rev. November 1987), Tax on Unrelated Business Income of Exempt Organizations, and published Announcement 89-138, November 6, 1989, with which you are familiar, to clarify the gambling rules for UBIT.

Solely with regard to the charitable gambling issue, our National Office technical function issued approximately 125 rulings, technical advice memoranda and other correspondence during these two fiscal years. Also, two of our regions have initiated an information gathering project to monitor compliance in this area.

Senator Kerrey: Please list the charities you have contacted in any manner regarding the unrelated business income tax.

Mr. Goldberg: In FY 1988, we audited 600 Forms 990-T, Exempt Organization Business Income Tax Return, filed by charitable organizations. In fiscal year 1989, we audited 1,100 Forms 990-T. Due to disclosure laws, we are unable to provide a list of those charities contacted. These audits cover all UBIT issues; no record is separately maintained for the charitable gambling issue. As indicated previously, we have also issued approximately 125 rulings, technical advice memoranda and other correspondence during these two fiscal years.

Senator Kerrey: Please list by state and charity the amount you are currently attempting to collect from charities under the UBIT.

Mr. Goldberg: Again, disclosure laws prevent us from listing those charities. Please refer to the following chart, which sets forth proposed deficiencies arising from audits of charitable organizations. The data is presented by IRS region, as this data is not readily available by states. This data is not limited to gambling issues.

Proposed UBI Tax and Penalties on Forms 990-T

of Section 501(c)(3) Charities

(Money amounts are in thousands of dollars)

	FY 1988	
REGION	Number of Forms 990-T examined (Private Foundations and Public Charities)	Amount of Tax and Penalties Proposed for Forms 990-T
North Atlantic	85	$3,500
Mid-Atlantic	24	$1
Southeast	39	$14
Central	112	$106
Midwest *	68	$846
Southwest	163	$327
Western	102	$297
U.S. Total	593	$5,091

	FY 1989	
REGION	Number of Forms 990-T examined (Private Foundations and Public Charities)	Amount of Tax and Penalties Proposed for Forms 990-T
North Atlantic	145	$833
Mid-Atlantic	126	$31
Southeast	131	$38
Central	178	$221
Midwest *	207	$233
Southwest	177	$1,372
Western	159	$99
U.S. Total	1123	$2,827

* Note: Midwest Region includes the states of Illinois, Wisconsin, Nebraska, North Dakota, South Dakota, Iowa, Minnesota, Missouri, and Montana.

Sen. Kerrey: Please explain when and why you changed your policy on this matter -- do not send me another copy of your bulletin of November 6, 1989, since it does not answer the question.

Mr. Goldberg: The Internal Revenue Service's policy with respect to amounts received by charitable organizations from games of chance has not changed. The Service position has been that such amounts are derived from a regularly carried on trade or business that is not substantially related to a charitable organizations's exempt purpose. The longstanding Service position is that amounts derived by charitable organizations from games of chance are subject to unrelated business income tax (UBIT). During the past few years Congress has amended the law affecting charitable gambling to provide an exception to UBIT under certain circumstances. These amendments to the law have created some confusion in the exempt organization community. Following the enactment of the Technical and Miscellaneous Revenue Act in 1988, we decided to remind exempt organizations of the rules in this area and published Announcement 89-138. This announcement does not reflect a change in policy, but merely informs exempt organizations of the circumstances under which amounts derived from games of chance are subject to tax.

Sen. Kerrey: Please explain what in the legislative history of the Tax Reform Act of 1986 and the Technical and Miscellaneous Revenue Act of 1988 suggests that the two amendments adopted to section 311 were meant to limit the existing exceptions to North Dakota -- again do not send me another copy of your bulletin of November 6, 1989, since it does not answer the question.

Mr. Goldberg: In 1984 as part of the Deficit Reduction Act of 1984 (DEFRA)

Congress provided that exempt organizations are not subject to UBIT for income received from conducting games of chance if the following requirements are met:

1. the game of chance is conducted by a nonprofit organization,
2. conducting the game of chance does not violate State or local law, and
3. there was a State law in effect on October 5, 1983, permitting the conducting of games of chance only by a nonprofit organization.

This provision was applicable to games of chance conducted after June 30, 1981. The purpose of this legislation was to exclude from UBIT income derived by exempt organizations which conducted games of chance in the State of North Dakota. The effect of this legislation, however, was to exclude from UBIT income derived by exempt organizations, regardless of their location, provided that a State law was in effect as of October 5, 1983, allowing only nonprofit organizations to conduct games of chance.

It should be noted that this was not the first time that Congress attempted to exempt from tax the conduct of games of chance by exempt organizations in the State of North Dakota. An appropriations rider was placed in the Continuing Resolution for appropriations for FY 1983, which prevented the use of funds for the enforcement of UBIT rules as they apply to revenue generated by exempt organizations conducting gambling activities in the State of North Dakota.

The technical corrections title of the Tax Reform Act of 1986 contained an amendment specifying that the "State law" in question must have been originally enacted on April 22, 1977. Games of chance were legalized in North Dakota on that date. Legislative history indicates that the only State law to which the provision is intended to apply is a North Dakota law originally enacted on April 22, 1977. Accordingly, income derived by exempt organizations in other states was treated as not subject to UBIT pursuant to the 1984 Act provision, but was retroactively treated as taxable by the 1986 Act.

This issue was again addressed in the Technical and Miscellaneous Revenue Act of 1988, in which Congress provided that the exception to UBIT is applicable to games of chance conducted prior to October 23, 1986. The result of this legislation is that, in general, income from games of chance conducted by exempt organizations in North Dakota after June 30, 1981, is not subject to tax (as long as the games were legal on October 5, 1983); from June 30, 1981, through October 22, 1986, income from games of chance conducted by exempt organizations outside of North Dakota is not subject to tax; and, after October 22, 1986, income from games of chance conducted by exempt organizations outside of North Dakota is subject to UBIT.

For your information, the following are extracts from the relevant legislative history:

[CLERK'S NOTE: The information referred to is available for review in the subcommittee files.]

QUESTIONS SUBMITTED BY SENATOR BYRD

Internal Revenue Service Computing Center in Martinsburg, West Virginia

Senator Byrd: Two years ago, in response to a question I posed about the long-range plans to expand the Martinsburg IRS Computer Center, the answer given was that long-range plans had not been finalized because "expansion of NCC will be affected by two studies which are underway as part of the Tax Systems Redesign." These studies were to focus on Computer Center staffing requirements and computer hardware and related facilities requirements. Last year, Mr. Murphy indicated that one of two studies, a procurement-sensitive study, was completed, which concluded that the Martinsburg Computer Center will increase in size and expand its role, while remaining a cornerstone of our tax processing. What are the conclusions of the second study?

Mr. Goldberg: The completed study, you referred to, superceded the original two studies. That study considered the impact on staffing requirements at Martinsburg along with the procurement related issues. While there are many decisions yet to be made as we move toward the modernization of our tax system, we have concluded that Martinsburg will increase in size and continue to be a cornerstone in our tax processing system. During the coming period of system modernization, we must maintain our current current systems while migrating to the new systems, and our need for staffing at Martinsburg will not be reduced.

Senator Byrd: I am advised that the new 25,000 square foot training center was occupied in September, 1989, and that the 35,000 square foot warehouse to consolidate and expand storage needs of the IRS became operational in January, 1990. According to a question I posed last year, the opening for the child care center is planned for September, 1990. Please update for the record the current status of the child care center.

Mr. Goldberg: On March 13, 1990, the Martinsburg Computing Center child care facility renovation construction contract was awarded by GSA to Highland Construction of Marlinton, West Virginia. Notice to proceed will be issued on March 30, 1990. A preconstruction meeting is set for April 11, 1990. Buildout time for the contract is 120 days.

Senator Byrd: With regard to the 63,000 square foot annex to the Computer Center, I am advised that GSA and IRS performed a site survey in late January, 1990; that the findings and recommendations of the Site Selection Team were represented to IRS on March 8, 1990; that all parties concurred with the Site Selection Team's proposal; and that IRS has requested occupancy by Spring of 1992. Please provide for the record the significant milestone events and schedule for completion fo this project. This is a priority matter of interest to me and I want to kept fully informed of this project in my home state of West Virginia. I trust that I may have your assurances that you will comply with this request.

Mr. Goldberg: The IRS is working closely with GSA to develop the specifications for the IRS Computing Center Annex in Martinsburg. A prospectus has been developed for this project and has been forwarded to the Office of Management and Budget (OMB) for approval. This is an "out-of-cycle" prospectus and not included in GSA's FY 1991 Capital Improvement and Leasing Program. GSA prepares their prospectus package for submission to Congress in January. The Martinsburg Annex prospectus was not included and, therefore, is "out-of-cycle" and will have a later approval date than GSA's January prospectus submission. The tentative date for the Martinsburg Annex package to be forwarded to Congress is May 1, 1990. GSA regulations require Congressional approval prior to proceeding with this project.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

APPEALS CASE PROCESS

Senator Domenici:	How many cases are in the appeals process?
Mr. Goldberg:	At January 31, 1990 the number of cases in Appeals' inventory was 75,222. This compares to 88,521 at January 31, 1989. The decrease in our inventory is attributable to the continuing efforts to resolve the large tax shelter inventories that were built up over a number of years. Total tax shelter cases declined from 42,756 at January 31, 1989 to 26,704 at January 31, 1990. Regular cases increased from 45,765 at January 31, 1989 to 48,518 at January 31, 1990.
Senator Domenici:	What is the average length of time that a case is in Appeals?
Mr. Goldberg:	Appeals receives its cases after the Examination and Collection functions have proposed additional taxes and/or penalties. We handle cases involving everything from very small underpayments by individual taxpayers to the largest and most complex cases involving multi-national corporations. The small cases may be resolved in just a few weeks - sometimes by telephone or correspondence, eliminating the need for the taxpayer to come into an IRS office to meet with the Appeals Officer. The very large cases may take several years to resolve.

With that as background, it should be noted that at this time we track the number of cases in our nondocketed inventory (not before the Tax Court) which are "overage". That is, the number which are in our inventory for one year or more.

At January 31, 1989 the number of overage nondocketed cases was 12,066, or 22% of the total nondocketed inventory of 54,846. At January 31, 1990 the number of overage nondocketed cases was 11,787, representing 27.5% of our total of 42,862 nondocketed cases. Thus, 31,075, or 72.5% of nondocketed cases, have been in inventory for less than one year.

Again, the impact of tax shelters on these figures should be emphasized. While our nondocketed tax shelter inventories declined from 24,837 at January 31, 1989 to 11,532 at January 31, 1990, the number of overage tax shelters stayed about the same: 7,004 in 1989 and 7,092 in 1990. So, while we have reduced our nondocketed tax shelter inventories by 54%, the relatively constant number of overage tax shelters has produced a statistical increase in the overage rate. It should be noted that the number of regular nondocketed cases which are overage showed a slight decline from 1989 to 1990. We went from 5,062 cases representing 16.9% of inventory to 4,695 cases representing 15% of inventory.

We are bringing on line an enhanced inventory tracking system, Unistar, that will provide us with more detail regarding the length of time that cases are in Appeals. We expect this system to be fully operational in 4 to 5 months.

CURRENT YEAR BUDGETARY SHORTFALLS

Senator Domenici: IRS has identified a budgetary shortfall of about $460 million in fiscal year 1990. What actions has IRS taken to meet its mandatory funding requirements within the total appropriation available to it for fiscal year 1990?

Mr. Goldberg: Within the current total fiscal atmosphere, IRS faced substantial increases in labor costs over and above budgeted resources. This was caused by pay raise absorptions, sequestration, and additional labor costs, such as employee benefits -- costs which are faced by other Federal agencies. As a result, IRS has had to cut back on expenditures for training, travel, selected ADP acquisitions and other deferrable expenses as well as impose a hiring freeze. Filing season work for processing returns and issuing timely refunds are not affected by these economies.

Fiscal Year 1990 Shortfalls

Senator Domenici: How will the actions taken to meet its fiscal year 1990 budgetary shortfalls affect taxpayer service levels, tax processing, and revenue level anticipated for fiscal year 1990?

Mr. Goldberg: The actions taken to meet our fiscal year 1990 budgetary shortfalls have forced us to reduce the target level of service provided by our toll-free telephone assistance network. Our ability to process tax returns and issue refunds was unaffected. The budgetary shortfalls have made it necessary for us to postpone the start of the fiscal year 1990 revenue initiatives and impose a hiring freeze with an associated total revenue loss of $350 million.

CURRENT YEAR BUDGETARY SHORTFALLS

Senator Domenici: To what extent were IRS' budgetary shortfalls in Fiscal Years 1989 and 1990 due to mandatory cost requirements outside its control (absorption of pay raises, e.g.) and to what extent were they due to factors within IRS' control? Please be specific.

Mr. Goldberg: The Internal Revenue Service, like other Federal agencies, is facing budget problems again, this time in Fiscal Year 1990. They are caused by both internal and external actions. The primary external actions which necessitated cutbacks were made to cover sequestration ($46 million), and the statutory requirements to cover this year's 3.6 percent pay raise ($103 million) and increases to the government's share of employee benefits for retirement ($40 million) and health insurance and medicare ($34 million).

Internal actions for which total cost are still being annualized have caused funding cutbacks due to the need to cover employee promotions and upgrades that we believed were important to remain competitive, advancement of trainees, and employee within-grade increases. A realignment of resources was also necessary to cover additional needs in the tax forms distribution program, process backlogs in currency transaction reports, increase internal audit coverage, cover electronic filing resource shortages and restore A-76 cuts.

Senator Domenici: What was the unfunded fiscal year 1990 cost of the January 1990 cost of living increase?

Mr. Goldberg: The unfunded cost for the January 1990 cost of living increase in fiscal year 1990 was $103 million. This represents 100 percent of the cost of the increase in fiscal year 1990.

Senator Domenici: The fiscal year 1991 request includes funding to cover only 50 percent of the fiscal year 1991 pay raise. The budget indicates that an unspecified reduction of $58.2 million and 1,586 staff years will be required to offset pay costs. From which activities will these staffing reductions be taken? What will be the impact of these reductions?

Mr. Goldberg: All activities within the Service were required to absorb proportional shares of the $58.2 million absorption amount with the exception of Internal Audit and Internal Security. In assessing absorption amounts emphasis was placed on the continued processing of tax returns and the issuance of tax refunds. Additionally, the Service took steps to ensure that there would be no reduction in the collection of taxes owed. Taxpayer Service has experienced a reduction in the level of service from a projected level of 80 percent to 75 percent as a result of this required absorption.

Senator Domenici: The fiscal year 1991 budget reflects that the fiscal year 1990 sequester resulted in a reduction of 737 positions and $46.2 million.

What was the effect of the sequester on IRS's ability to service the taxpayer and generate revenues?

Mr. Goldberg: The FY 1990 sequester was absorbed in such a way as not to affect our ability to process tax returns and issue refunds timely. It did force us to reduce our planned level taxpayer service to 75%. Of the $465 million in new revenue assumed in the Bipartisan Budget Agreement, $229 million will not be realized in FY 1990. An additional $113 million will not be realized from base enforcement programs. These reductions are due to both the sequester and to hiring freezes, the latter necessitated by pay raise and benefit cost absorption requirements.

Senator Domenici: Of the increases proposed for fiscal year 1991, which have the effect of restoring fiscal year 1989 and 1990 reductions made as a result of budgetary shortfalls?

Mr. Goldberg: The fiscal year 1991 budget, as proposed by the President, provides a substantial increase in overall resources for the Internal Revenue Service -- $635 million; almost 12 percent more than the current year (FY 1990). Included are funds (over $200 million) to meet basic labor and inflationary cost increases, many of which the Service is absorbing this year. In addition, the Service is continuing to economize, by making operations more efficient and by controlling overhead and support costs.

Accounts Receivable

Senator Domenici: IRS's accounts receivable inventory grew from $30 billion in 1984 to more than $60 billion last year. IRS indicates that its aggregate accounts receivable figure, adjusted to include accrued interest and penalties plus amounts classified as currently not collectible, totals approximately $87 billion.

Of the total estimated accounts receivable inventory, IRS classifies 29% of the inventory (an amount in excess of $25 billion) as "currently not collectible" accounts. How much of this amount can IRS reasonably expect to collect?

Mr. Goldberg: Accounts are not classified as currently-not-collectible until they have been worked and a determination has been made that further resources should not be expended trying to collect these accounts. This category includes financial hardship accounts, unlocateable taxpayers, decedents with no estates and defunct corporations. Some of these accounts are not considered permanently uncollectible. Systemic checks are made to monitor these accounts. Various factors can lead to reactivation, such as an increase in income on a hardship account, or a new address on a previously unlocateable taxpayer. Accounts may also be scheduled for review at certain dates. These accounts are also subject to refund offset for as long as the statutory period for collection remains open.

In recent years, approximately 45% of the amount reported currently-not-collectible from individuals is collected or credited by the time the collection statute expired. Approximately 8% is collected or credited from business accounts.

Senator Domenici: Of the $2 to $3 billion in accounts receivable which falls out of the inventory each year as the statute of limitation expires, how much could the government have collected and how much is considered "non-collectible"?

Mr. Goldberg: When considering the total amount of all accounts which have the statute of limitation for collection expire, the amounts which are from currently-not-collectible status accounts are by far the predominant portion. Therefore, by the time the collection statute expires, the government has collected all the revenue that it is reasonably possible to collect.

Other than currently-not-collectible accounts, low priority deferred and inactive accounts are among those on which the collection statute expires. These accounts are subject to refund offset and an annual notice but no action is taken to prevent statute expiration. Generally, cases on which the collection statute expires are those which are considered of minimal potential for collection compared with active inventory cases. Resources are applied to high yield potential cases first, after basic compliance actions have been satisfied.

Procedures mandate a vigilance regarding prevention of collection statute expiration on all active accounts. Failure to protect the government's interest by following these procedures is cause for disciplinary action.

Senator Domenici: IRS has identified a number of factors accounting for the growth in the accounts receivable inventory. Among the factors cited are the fact that increased IRS enforcement efforts have added to the inventory and the fact that IRS Collection staffing has not kept pace with the increasing workload.

What increase in the accounts receivable inventory is expected to result from increased IRS enforcement efforts in fiscal year 1990? What increase is anticipated from the increased enforcement efforts proposed for fiscal year 1991?

Mr. Goldberg: Due to the delay between the time an assessment is made and when it is actually collected, we anticipate that increased IRS enforcement efforts could increase the accounts receivable inventory by $200 million in fiscal year 1990 and by $500 million in fiscal year 1991.

Senator Domenici: IRS has indicated that even though the Administration and Congress have called for annual increases in IRS collection activities and the IRS's budget has nearly doubled between 1983 and 1990, IRS "realized" staff years in Collection will have increased by only approximately 10 percent between 1984 and 1990.

Will the increase in Collection staffing proposed for fiscal year 1991 be sufficient and keep pace with the growth in accounts receivable and the increase in these accounts projected from enforcement initiatives proposed for fiscal year 1991?

Mr. Goldberg: In addition to the staff requested to complete new Collection work, the FY 1991 budget for Collection includes staff to handle the additional workload from the proposed enforcement initiatives.

Senator Domenici: To what extent is the growth in accounts receivable caused by actions in other IRS functions, such as Returns Processing?

Mr. Goldberg: The analysis of growth in the accounts receivable inventory provided by Price-Waterhouse did not specifically address the portion of the growth attributable to compliance activities. We do know that we have stepped up our efforts to assess taxes against taxpayers who have not voluntarily filed and to examine tax returns where there is a likelihood that additional taxes will be owed. We are currently developing a new Enforcement Management Information System (EMIS) that will allow us to track new assessments through the Collection process. Using EMIS, we will be able to gauge the impact of enforcement efforts on the accounts receivable inventory.

Senator Domenici: IRS intends to improve and integrate its financial and Revenue Accounting Functions as part of its Tax System Modernization effort. How long will it be before these functions are fully integrated?

Mr. Goldberg: Redesign of IRS' current Revenue Accounting System (RACS), is intended to provide an on-line real-time accounting control and management information system. The current system will be modernized and transformed into the hub of a new financial information system. In addition, an Enforcement Management Information Systems (EMIS) is being developed to track revenue generated by the enforcement functions (i.e., Collection). The goal of the final phase of this project is the integration of the information produced with the other revenue accounting systems of the Service. That process of change will be accomplished in three phases.

The goal of the first phase is a system that would provide an allowance for doubtful accounts, capture accrued penalties and interest, and relate the information to amounts collected. Reports are already being prepared to capture and analyze this data before incorporating it into the new financial structure. Existing hardware has been upgraded to accommodate interim enhancements and extend the useful life of the system until a new system is operational.

The second phase involves the evolution of the enhanced (RACS) system to the Service Center Support System (SCSS), which is a major part of Tax System Modernization. This phase is planned for completion by 1995. Various subsystems (such as Federal Tax Deposit processing, cash management, and Corporate Files On-Line) will be designed to provide accounting data more quickly. We will also convert to a government-wide "standard general ledger" during this phase.

The third phase is the transition to the fully integrated modernized tax system by 1998.

Senator Domenici: What is IRS doing about this problem in the short term?

Mr. Goldberg: In the short term, we are focusing on the impact that various actions will have in better managing our accounts receivable, and have set our priorities accordingly. A basic tenant of Quality Management is that 20 percent of the causes generate 80 percent of the problems, most of which are systemic. As in all such efforts, the best approach is to address a limited number of issues that are of vital importance. To this end, we have identified four "Vital Few" management initiative areas: (1) management information, (2) large dollar accounts, (3) currently not collectable accounts, and (4) our processing systems.

The President's budget for FY 1991 calls for some $50 million to add approximately 1,000 Collection personnel to our rolls. Our FY 1991 budget is structured to assure that the call for increases in Collection staffing will in fact take place. Treasury projects this initiative will result in additional revenues of approximately $150 million during 1991 and over $1 billion for the five-year period through 1995.
Quality training of new revenue officers and continuing education to maintain the skills of Collection personnel is needed to properly and effectively work accounts receivable. The President's FY 1991 budget request includes significant additional resources for proper training throughout the IRS.

Senator Domenici: The IRS plans to improve its procedures for handling "large dollar" cases and to provide better data to manage these accounts as one way of dealing with accounts receivable.

In focusing on "large dollar" cases, will IRS be shifting its resources from the smaller cases?

Mr. Goldberg: Large dollar case reviews are just one component in our efforts to manage our accounts receivable inventory more effectively. Our studies have shown that 2% of the cases in inventory represent over 60% of the amount in inventory. Many of these large dollar cases result from errors, by taxpayers or the Service, and do not represent amounts actually due the government. By focusing on these cases, we expect to determine the causes of the errors and to implement solutions to prevent them from occuring. These solutions will have the effect of resolving problems through all dollar levels of accounts.

In cases where these large dollar cases represent actual liabilities, focusing our efforts will insure expeditious actions to recover substantial delinquent amounts, prevent further accrual of large dollar liabilities, and encourage compliance for the future.

The resource effect of focusing on large dollar cases will have minimal impact on collection efforts aimed at all other delinquent accounts. For years the Service has had to prioritize resources toward working higher yield cases, and this current change is a mere focusing of established resource patterns.

Senator Domenici: To what extent do the new, smaller dollar cases represent revenues that are easier to collect?

Mr. Goldberg: In following a sample of liabilities issued as delinquent accounts in 1986, we have found that, generally, the less the taxpayer owes the more likely that the amount can be collected in full. However, the effort needed to collect a delinquent account does not increase proportionately with the amount owed. Our Resources Workload Management System factors in the expected effort along with the expected yield when scoring cases for active inventory assignment.

Senator Domenici: Isn't it true that the longer a tax delinquent case remains in inventory and accrues interest and penalties, the harder it is to collect?

What is the IRS doing to collect tax delinquent accounts immediately, before they accumulate high interest and penalties?

Wouldn't this have the effect of increasing tax compliance more so than focusing on the large dollar, more difficult cases?

Mr. Goldberg: Yes. The older an account is, the harder it is to collect. However, we have no reason to believe that the accruing penalty and interest cause older accounts to become harder to collect.

Generally, delinquent accounts receive up to five notices requesting payment before they are assigned to the Automated Collection System(ACS) for telephone contact. However, some high dollar accounts are assigned directly to field inventories for personal contact. Normal processing is aimed at securing payment at the earliest possible point in the collection process. The great majority of delinquent account cases are closed during notice and ACS processing.

We are also requesting additional staff for Collection in FY 91. This staff will be deployed in all our functions and will be directed at improving collection of past due accounts. We believe our efforts to increase collections from all delinquent accounts will achieve a balanced approach to improving compliance.

Senator Domenici: Has IRS considered phone contact with the taxpayer during the notice stage, prior to reaching tax delinquent account status as a collection method?

Mr. Goldberg: Yes, we have considered this in the past. We did not adopt this strategy because we determined our present processing is more efficient. Our notice processing at the Service Centers is very cost effective and succeeds in resolving the majority of our delinquent account cases before ACS processing, that is, telephone contact, is required. We are constantly studying our processing to improve its efficiency and effectiveness, and will continue to look at new technologies as they become practical.

Senator Domenici: IRS HAS INDICATED THAT A LARGE PORTION OF THE ACCOUNTS RECEIVABLE INVENTORY MAY NOT REFLECT AMOUNTS OWED TO THE FEDERAL GOVERNMENT BUT MAY BE THE RESULT OF TAXPAYER OR IRS ERRORS. WHAT AMOUNT OF THE ACCOUNTS RECEIVABLE INVENTORY DO YOU ESTIMATE TO BE IN THIS CATEGORY?

Mr. Goldberg: WE ESTIMATE THAT FOR THE QUARTER ENDING DECEMBER 31, 1989, THERE WERE ABOUT 128,000 ACCOUNTS TOTALING $3.2 BILLION.* GENERALLY, THESE ARE CASES WHERE WE HAVE STOPPED THE BILLING PROCESS OR ENFORCEMENT ACTIVITY IN ORDER TO RESEARCH THE PROBLEM. WE MAY OR MAY NOT RESUME BILLING OR ENFORCEMENT ACTIVITY DEPENDING ON THE RESULTS OF OUR RESEARCH.

* INCLUDES ACCRUALS OF PENALTIES AND INTEREST

COST OF LIVING INCREASE

Senator Domenici: What was the unfunded fiscal year 1990 cost of the January 1990 cost of living increase?

Mr. Goldberg: The unfunded cost for the January 1990 cost of living increase in fiscal year 1990 was $103 million. This represents 100 percent of the cost of the increase in fiscal year 1990.

IRS PAY COMPETITIVENESS

Senator Domenici: What Personnel hiring and retention problems does IRS currently face as a result of its inability to compete with salaries paid by private industry in certain locations?

Mr. Goldberg: The IRS continues to be concerned with the recruitment and retention of a highly qualified workforce. Due to difficult competition with higher salaries paid for some occupations by private industry in many locations, problems center on the quality of new hires and high employee turnover. Employees quit for a number of reasons, but the one cited more often than others is for better pay and benefits in the private sector. The departure of trained professionals, particularly Revenue Agents, results in a loss of tax dollars collected since less experience employees replace them. With respect to quality, the lack of skills present in many new recruits requires more emphasis and resources to be spent on training programs.

Senator Domenici: What Special Pay Rates have been approved by the Office of Personnel Management (OPM) to improve IRS's pay competitiveness? Please provide detail on the special pay rates approved, the date each was approved, its coverage and when IRS implemented it.

Mr. Goldberg: Currently there are 40 special salary rates authorizations which have been implemented for various occupations throughout the Service:

IRS SPECIAL SALARY RATES

Position Title	Location	Grade	Effective Date
Clerical	So. San Francisco Bay	2-7	05/25/86
Clerical	New York City	2-6	07/06/86
Computer Operator	Dallas/Ft. Worth	5-10	09/28/86

Clerical/Administrative Support	Eastern Massachusetts	2-8	02/01/87 *11/20/88
Clerical	Gtr. San Francisco Bay	2-6	03/15/87
Clerical	Washington, DC MSA	2-7	04/12/87 **08/28/88
Math Statistician	Washington, DC	5-11	03/15/87
Clerical/Administraive Support	Connecticut	1-6	10/23/88
Data Transcriber	Holtsville, NY	2-8	08/02/87 ***02/26/89
Clerical	Dallas/Ft. Worth	2-5	11/08/87
Clerical	LA County, CA	2-7	01/03/88
Clerical	Orange County, CA	2-7	01/03/88
Data Transcriber	Atlanta, GA	2-7	02/14/88
Clerical/Administrative Support	Portsmouth/Dover/Rochester, NH Maine MSA	2-5	08/28/88
Internal Revenue Agent	New York City, NY	5-11	03/13/88
Legal Clerk Typist	Atlanta, GA	3-8	03/27/88
Clerical	Miami, FL	2-6	04/24/88
Clerical	Chicago, IL	2-5	05/08/88
Clerical	Minneapolis/St. Paul, MN	2-5	07/03/88
Legal Clerk Typist	Northern New Jersey	4-9	07/17/88
Actuary	New York City, NY Washington, DC MSA Kansas City, MO MSA Chicago, IL MSA Philadelphia, PA MSA Dayton, OH MSA Salt Lake City, UT MSA	5-13	07/31/88
Clerical	Mercer County, NJ	2-5	10/23/88

Accountant/ Auditor	Eastern DD Massachusetts	5-9	11/20/88
Accountant/ Auditor	Connecticut	5-9	11/20/88
Clerical	Juneau, AL	1-5	11/09/76
Accountant/ Auditor	Long Island/NY City	5-9	11/20/88
Accountant/ Auditor	Northern New Jersey	5-9	11/20/88
Accountant/ Auditor	Philadelphia, PA	5-9	11/20/88
Accountant/ Auditor	Washington, DC	5-9	11/20/88
Accountant/ Auditor	San Jose/S.F./ Oakland/Solano County, CA	5-9	11/10/88
Accountant/ Auditor	Los Angeles/Orange Counties, CA	5-9	11/20/88
Clerical	Westchester County, NY	2-6	02/12/89
Clerical	Northern, NJ	2-5	12/06/87 ****10/23/88
Engineer/ Architect	Worldwide	5-12	approx. 1956
Petroleum Engineer	Nationwide	5-12	approx. 1956
Mining Engineer	Nationwide	5-11	approx. 1956
Engineers	Worldwide	5-12	approx. 1956
Computer Scientist	Washington, DC	5-9	12/83
Legal Clerk-Typist	Los Angeles, CA	5-7	02/84
Legal Clerk-Typist	New York, NY	4-10	09/84

---

*Expanded graded level, added new occupations and increased rates.

**Increased rates.

***Expanded grade level and increased existing rates.

****New county added to existing table.

Sen. Domenici:	Has the IRS been unable to fund any of the special pay rates approved by the OPM? If yes, please indicate which ones and why they have not been implemented. If the IRS has not funded special pay rates granted, why hasn't IRS opted to improve the pay of its existing personnel instead of hiring additional staff?
Mr. Goldberg:	The special salary rate program has taken on a new dimension this fiscal year due to funding considerations. Although we continued to review requests from our field offices for special salary rates, only those requests with the most severe retention and/or recruitment problems were forwarded to the Department and the OPM for approval. The following special rates were approved by the OPM, but we requested that IRS not be included due to funding considerations:

Position Title	Location	Grade	Effective Date
Clerical	Monmouth County, NJ	2-5	09/08/89
Accountant/ Auditor	Chicago, IL	5-9	10/27/89
*Clerical	Northern, NJ	2-5	11/17/89

*IRS clerical employees in Northern, NJ are currently covered by special salary rates, however, they did not receive the additional increase received by other agencies.

Determining whether to improve the pay of existing staff instead of hiring additional staff is a management decision which is seriously analyzed in each situation to balance our ability to recruit and retain quality employees with the need to accomplish our workplan. The fact is, due to funding considerations, this year we frequently could neither fund additional salary rates nor hire additional staff.

IRS PAY COMPETITIVENESS

Senator Domenici: Does the IRS have sufficient funding in its Fiscal Year 1991 request to fully fund all special pay rates which have been granted by OPM? If not what additional funding would be required to fully fund these special pay rates?

Mr. Goldberg: Yes. The IRS has made provision in its Fiscal Year 1991 request to fully fund all special pay rates which have been granted by OPM.

Sen. Domenici: Even with special pay rates in effect, what personnel recruitment and retention problems are not being addressed by these special rates? What impact are they having and what do you recommend to address these problems?

Mr. Goldberg: The Federal personnel system, in general, is too inflexible, particularly in the area of recruitment. Excessive procedural requirements cause delays in the hiring process. The delays often result in the loss of potential hires to the private sector because it can make immediate job offers. An array of application forms and rigid examining procedures also confuse the public and contribute to a widespread disinterest in Federal employment.

Some actions that are recommended to address these systemic problems are:

- authorizing the use of more direct hire authorities;
- simplifying the Federal employment application ~~process~~;
- converting to a two-year budget cycle (or creating a multi-fiscal year recruitment fund) to enable the IRS and other government agencies to time campus recruitment to coincide with college graduation timetables;

- exploring new employee programs such as work-at-home; and
- creating more career development programs to provide more employee advancement opportunities.

CONTRACTING OUT REVENUE AGENT TRAINING

The fiscal year 1991 budget proposes to contract out revenue agent training which would allow existing revenue agents now spending time on training to perform audits; this is expected to generate an additional $13.8 million in fiscal year 1991.

Senator Domenici: How much and what kind of training does the IRS plan to contract out?

Mr. Goldberg: Initially, IRS plans to contract out for the revenue agent recruit training program. We will use contract instructors to replace one or more revenue agent instructors in each of our basic phases of training. The number of contract instructors, however, will not be mandated so that the regions have the ability to use the best qualified instructors available.

Senator Domenici: Who will IRS be contracting with to perform this training?

Mr. Goldberg: It is anticipated that IRS will be able to contract with university professors, former IRS employees, accountants and tax law attorneys.

Senator Domenici: How will IRS ensure that the quality of this training meets IRS standards?

Mr. Goldberg: During the contracting process, IRS will evaluate the bidders based on established evaluation criteria. This will include relevant training experience, work experience and academic background. The contract instructors' performance will be evaluated by designated IRS personnel within the district/regions.

For the advanced and specialty tax courses, we will consider the use of contract instructors as well as contracting out course development. Since experienced revenue agents are familiar with the procedural aspects of the job, no longer requiring the IRS perspective in the classroom, the use of contracting in this manner may prove to be beneficial and cost effective.

Senator Domenici: To what extent have hiring freezes reduced the ability of IRS to do this training in house and at the same time carry out its audit responsibilities? To what extent has this problem arisen because of IRS's inability to keep experienced personnel due to lack of pay comparability with the private sector? Is this why contract training is being proposed?

Mr. Goldberg: We have not had hiring and, therefore, have not had to train. Accordingly, the freeze has not impacted our ability to train. Using revenue agents to teach causes a heavy drain on Examination resources normally used to examine returns. In an effort to reduce this drain on Examination resources and the associated lost revenues, we plan to use contract instructors in conjunction with a restructuring of the revenue agent training program.

INTERNAL REVENUE SERVICE REVENUE INITIATIVES

Sen. Domenici: The President's Fiscal Year 1991 budget assumes an additional $2.5 billion in revenue in Fiscal Year 1991 resulting from Internal Revenue Service management reforms.

The Congressional Budget Office (CBO) estimates that this initiative will raise no additional revenue. In its analysis of the President's Fiscal Year 1991 budget, CBO indicates that the IRS has been unable to document how this reallocation of IRS staff and reorientation of enforcement programs would be successfully implemented in the field and how it would raise the additional revenue assumed in the President's budget. CBO indicates that, "past performance provides insufficient evidence of the IRS' ability to reorganize so as to generate such rapid and substantial increases in revenue above baseline levels. Also, recent General Accounting Office studies indicate that IRS enforcement data and estimation methods have been inadequate."

What evidence do you have that suggests such reforms would in fact raise the amounts of revenues reflected in the President's Fiscal Year 1991 budget?

Mr. Goldberg: The management initiatives are all targeted at areas in which improving or shifting our efforts will bring in revenue almost immediately. These initiatives all address areas in which issues or workload exist that lend themselves to such an approach. For example, the Appeals large case initiative is predicated on our growing inventory of cases over $10 million. Since 1985, the value of this inventory has increased from $17 billion to $34 billion. We know which cases are out there, what stage of development they are in, and what it will take to close them. Similarly, the Examination tax shelter initiative is based on the large number of investor cases we have that are tied to far fewer "key" promoter cases. We know which promoter cases are tied to which investor cases. We plan to change the order in which we work these cases to concentrate first on the "key" cases that are tied to the highest value of investor cases instead of working them on a chronological basis.

The shortfalls that GAO identified in the IRS' revenue estimating procedures have been addressed. We now have an interim method for estimating Examination field audit revenue that takes into account many of the issues raised by GAO. In fact our FY 1991 Examination field audit initiative is not projected to raise significant revenue for about three years.

Sen. Domenici: Can you explain to us how the proposal to improve management of IRS enforcement activities would be successfully implemented in the field. Specifically, how fast could staff be reorganized and these programs reoriented to raise the additional amount of revenue assumed in Fiscal Year 1991?

Mr. Goldberg: We will begin in Fiscal Year 1990 to gear up for the work that needs to be done in Fiscal Year 1991. In the functions affected, Chief Counsel, Examination, and Employee Plans, we have already started the process of identifying and assigning cases. We are developing training plans for those employees who will be doing new work or using different methods. Many employees will not be doing drastically different work. For example, the Employee Plans examiners will now examine small pension plans on an actuarial basis rather than conducting broader employee plan audits. New software has been developed for these agents and they will each receive three weeks of training before Fiscal Year 1991 begins. The Counsel and Examination initiatives generally involve having the two functions work more closely together in developing and settling cases. These employees will also receive some additional training but the main focus of these initiatives is to change the way cases are handled internally. To be sure that these initiatives are being achieved, we will develop work plans and monitor the progress of the work on a quarterly basis. We will report to the Treasury Department, on a quarterly basis, the status of each initiative. Our first status report will be in late April of this year so that we can begin to monitor the progress of work plan development and training.

Sen. Domenici: If IRS is able to initiate management actions to generate billions of dollars in additional revenues towards federal budget deficit reduction, why hasn't it taken these steps before now?

Mr. Goldberg: These management actions are being pursued now because they either address unique opportunities that have just arisen or they deal with problems that have only recently grown so severe or so large that they require immediate attention. The Employee Plans and Examination tax shelter actions are cases in which a new opportunity for action exists. The Employee Plans initiative developed because we were able to identify on returns a highly questionable issue at the same time that recent court actions gave us the ability to deal with that issue. Fiscal Year 1989 was the first year that we were able to track the manner in which tax shelter cases arising from the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) flowed through our system all the way to Appeals. We've found that a lot of investor cases are waiting for a few "key" cases to be closed. The flow of new tax shelter cases has dried up so that this workload is a one time affair. After we deal with these cases we will go back to the normal processing of audits. The other management actions address problems that have recently grown so large as to require prompt attention. The dollar value of the cases over $10 million in Appeals is now $34 billion - up from $17 billion in 1985. Almost all Examination recommendations on large cases are now being routinely appealed. This became apparent when we did our own study of the Examination revenue estimating process last year. As a result of these conditions, we have to devote more attention to closing large cases in Appeals and to improving the interface between taxpayers, Examination, and Appeals so that we can settle some recurring issues before they go to Appeals.

Management Initiatives

Among the management initiatives IRS proposed to implement to generate an additional $2.5 billion in revenues in fiscal year 1991 are three that involve steps directed at accelerating case closures and that would affect the use of examination resources. One would delegate settlement authority to settle more quickly less contentious issues arising from audits of large corporations. A second would shift examination resources to the appeals function to expedite the closure of selected large cases. A third calls for accelerating the closure of 50,000 more tax shelter cases.

Senator Domenici: If IRS uses examination resources to help settle large cases, bring appeals cases to closure, and expedite action on tax shelter cases it will be doing less of something else with its examination resources? Specifically, what will it not be doing? What revenues will it forego as a result?

Mr. Goldberg: For large case there are a number of management initiatives identified which will use our current resources more effectively. For the tax shelter program we will expedite the closing of tax shelter cases via identification of large key shelters and streamlining the processing of the investor cases.

We are still formulating the amount and types of resources to be transferred to Appeals. Until a final decision is made revenues foregone cannot be estimated.

Senator Domenici: One of IRS' management initiatives involves the redirection of 150 examination positions from "low yield audits to higher yield excise tax examinations". What type of low-yield audits will IRS not be doing as a result of this redirection of resources? What will be the revenue loss? Won't this have an impact on tax compliance?

Mr. Goldberg: Resources will be reallocated from lower yielding individual (non-business individual with total positive income less than $25,000) and corporate tax returns (with balance sheets reflecting assets under $100,000) to excise tax returns. The revenue loss is minimal in comparison to the revenue (less than 10%) gained. The impact on tax compliance will be minimal because we will continue to maintain an enforcement presence in all classes of tax returns.

EMPLOYEE PLAN EXAMINATIONS

Sen. Domenici: **One of the IRS Management Initiatives proposed is to redirect resources from "low-yield" cases in the employee plans program to examine 17,300 additional plans for Plan Years 1986-1988. What kinds of cases does IRS consider to be "low-yield"?**

Mr. Goldberg: Low-yield cases are, for example, examination of returns from small defined contribution pension plans. These plans have a relatively low potential for individuals to inappropriately shelter income from taxes. We will continue to examine these types of returns to ensure operational compliance with pension laws. Currently, we are simply reducing our enforcement presence in this area, while expanding our presence in the area of small defined benefit pension plans.

Sen. Domenici: An increase of 17,300 additional examinations in this area seems to be high. What kinds of plans and issues does IRS intend to address and how did it reach this level of 17,300 examinations?

Mr. Goldberg: This program has as its basis a longstanding effort to address what the Service considers to be improper tax practices in the case of a relatively small number of sponsors of defined benefit plans that cover one to five participants. We are concentrating on the one to five participant plans because 98% of plans reporting over $100,000 in contributions per participant involve one to five participants. Specifically, the Service is questioning the use of unreasonable actuarial assumptions to fund defined benefit plans. As you know, contributions to these plans are tax deductible. By utilizing unreasonable assumptions, such as unreasonably low interest rates or retirement ages, employers can take excessive deductions. In virtually all cases, these deductions benefit only the employer and not the employees. Such deductions may come to hundreds of thousands of dollars annually per plan.

We choose our cases for examination based on the amount of the pension deduction claimed. Our experience to date with those examination cases we have completed is that doctors and lawyers account for more than two-thirds of our cases, with advertising and real estate executives accounting for much of the remainder. The average disallowance for the cases adjusted was $194,000 per plan. Within the first 500 cases examined, eleven individuals claimed an annual pension deduction of over $600,000 while forty-eight others claimed over $300,000 each.

In addition to the Service's litigation success in the lead case involving this issue (Mirza v. IRS), fifteen Tax Court cases that were on the docket for March trial in California were recently settled on terms highly favorable to the government, averaging 90% of the claimed deficiency. Of 20 Court cases now resolved, a total of $3.2 million or $160,000 per case has been disallowed.

Service agents have been instructed to be flexible and to examine each case based on its own facts and circumstances. Please remember also that of the over 700,000 filings of small defined benefit plans during the period in question, only about 18,000 will be examined, and a number of those will no doubt be determined to have used assumptions that are reasonable.

The decision to add 17,300 examinations resulted from the convergence of three events: (1) the appeals court decision in the Mirza case (August 1989), (2) our developing the ability to identify with some precision the filers who are claiming the largest deductions for contributions to these plans (thereby indicating the possibility that questionable actuarial assumptions may be used), and (3) our developing computer programs which enhance the skills of our agents to conduct audits of these plans. I want to emphasize that we would conduct this program even if it were not identified as a management initiative. As indicated by the significance of the disallowed deductions in the Mirza case and others, we would be remiss if we did not vigorously pursue these issues.

Sen. Domenici: How much revenue will IRS collect as a result and on what basis will these cases generate more revenue than is being generated from the low-yield cases? How much revenue is now being generated from examinations of low-yield coverage cases?

Mr. Goldberg: We expect to collect over $800 million over the life of this program with $600 million collected in Fiscal Year 1991. The average collection for each of these cases is estimated to be $44,000 while the average collection for the low-yield cases is $1,200. We collect approximately $21 million annually from all low-yield pension coverage cases.

ENFORCEMENT INITIATIVES

Sen. Domenici: The President's Fiscal Year 1991 budget also proposes an increase in funding to implement new IRS enforcement initiatives. For Fiscal Year 1991, additional funding of $191 million is proposed and is estimated to generate an additional $537 million in additional revenues in Fiscal Year 1991 and an additional $5.7 billion between Fiscal Years 1991 and 1995.

In its analysis of the President's Fiscal Year 1991 budget, the Congressional Budget Office (CBO) indicates that these proposed enhanced enforcement efforts could be effective in increasing revenues, but not as quickly or as substantially as the Administration assumes. CBO estimates that these initiatives would raise $300 million in Fiscal Year 1991 and $4.3 billion in the Fiscal Year 1991-1995 period. CBO agrees with the Administration that the President's proposal that IRS absorb half the cost of the 1991 pay raise would reduce revenue by almost $100 million in

Fiscal Year 1991 and by almost $250 million over the Fiscal Year 1991-1995 period.

Isn't it true that, in the past few Fiscal Years, IRS enforcement initiatives funded have not generated the additional revenues assumed at the time they were proposed?

Mr. Goldberg: Yes, the Fiscal Year 1987 and 1988 enforcement initiatives did not produce as much additional revenue as predicted when they were proposed. However, one of the main reasons that they did not was that both contained Examination field office audit initiatives. These initiatives were originally estimated to produce some $400 to $600 million in their first year. We have looked at the data and concluded that this type of initiative does not produce significant revenue for about three years and actually loses money in the first year. We are now using a revised interim method to estimate additional revenue from this type of initiative.

Sen. Domenici: For Fiscal Year 1990, the Bipartisan Budget Agreement assumed an additional $468 million would be generated from IRS increased enforcement funding; I understand that $350 million of this amount will not be realized this fiscal year. Is this correct? What is the reason for this?

Mr. Goldberg: Actually, of the $468 million assumed in the Bipartisan Budget Agreement, $229 million will be realized this year - a reduction of $239 million from the original estimate. These revenues will not be realized in Fiscal Year 1990 because the IRS was faced with unfunded and/or unaticipated costs that led to most of the enforcement initiatives being delayed until May. An additional $113 million will not be realized from base enforcement programs due to the hiring freeze necessitated by the unanticipated costs.

Enforcement Initiatives

Senator Domenici: What evidence can you provide that this won't again be true for fiscal year 1991 and that CBO's lower revenue estimates from the proposed compliance enforcement initiative are not accurate and the higher revenue estimates included in the President's Budget are indeed correct?

Mr. Goldberg: Unfunded or unanticipated FY 1990 cost increases incurred by IRS caused the shortfall in revenues from that stated in the Bipartisan agreement. The IRS, Treasury, and OMB have worked together in formulating the FY 1991 budget to explicitly validate costs the IRS will incur in FY 1991. For example, the estimated costs of the January FY 1991 pay raise has been factored into our request whereas in the FY 1990 Budget, IRS was required to abosorb the cost of the January 1990 pay raise.

At the same time, IRS is improving its financial management to sharpen our capability for estimating and controlling costs. These financial management reforms should reduce unwelcomed budget surprizes.

This does not mean that all potential costs which may affect IRS' budget have been anticipated. We live in an uncertain environment where costs continue to rise, sometimes unexpectedly. What is clear is that without the enforcement initiatives, IRS revenue will be less than they would be with them.

The CBO's lower revenue estimates for the initiatives is not related to potential IRS funding shortfalls but rather to their understanding that previous estimates have been overstated. The IRS, building on work being done by GAO, has made significant refinements to its estimating and tracking methodologies. In the main, these refinements have worked to reduce yield estimates for a given resource increment. While much work remains to be done, we believe the estimates we have made are conservative and represent the best projections which can be made using current data and knowledge.

TAX SYSTEMS MODERNIZATION

Senator Domenici: Tax Systems Modernization is identified by IRS to be a multi-year effort to bring the IRS' out-moded systems up to date. The fiscal year 1991 budget requests an additional $146 million to continue Tax Systems Modernization efforts.

What is the estimated total investment required to achieve Tax Systems Modernization? How long will it take to fully implement all tax systems modernization efforts?

Mr. Goldberg: Current estimates are that total costs of implementing the future system will be approximately $6 billion. This figure does NOT include transition costs, nor is it the total for life cycle costs. Further development of the costs is underway and will be included in the Design Master Plan which is scheduled for completion in September 1990.

IRS' modernization effort should span about ten years, with a target completion of 1998. The implementation is being conducted in a modular fashion which provides for incremental benefits to taxpayers throughout the ten years. Modular implementation also minimizes risks and ensures tax processing will continue uninterrupted.

Senator Domenici: Does IRS have a comprehensive plan for carrying out its Tax Systems Modernization efforts? Would you please make this available to the subcommittee.

Mr. Goldberg: The IRS prepared a comprehensive Management Plan in March 1988. This document is currently being refined and updated.

As sanctioned by OMB and the Treasury Department, the Management Plan describes the methods the Service planned to follow in arriving at our final goal of a modernized, integrated tax administration system. These methods to date have resulted in the Systems Architecture or blueprint for our future information systems.

The IRS Systems Architecture, which provides a "blueprint" for the Service's future information systems, reflects the analysis of potential new ways of doing business in the future, and the technical alternatives (hardware, software, telecommunications, etc.) for supporting the new business processes. A draft report of this analysis was completed in September 1989, as scheduled, and presented to the user community within the IRS to ensure that programmatic and technical issues had been addressed. As a result of this review, a recommendation of the proposed Systems Architecture was presented to the Chief Information Officer and his top executives. This recommendation is scheduled to be presented to the Information Systems Policy Board and Executive Committee for final approval in this spring. We will transmit both of these documents under separate cover to the Subcommittee.

Senator Domenici: What is the maximum annual investment required in fiscal year 1992 and in each fiscal year thereafter to complete tax systems modernization as soon as possible?

Mr. Goldberg: The IRS' 1991 budget request for these projects is based on an assumption that the 1992 funding level would need to be about $524 million. This figure will change as the Service goes through the formal budget process with the Treasury Department and the Office of Management and Budget.

IRS' preliminary estimate of the cost of Tax Systems Modernization is approximately $6 billion. This estimate includes only the acquisition and one-year operation and maintenance costs of the new system in 1998. We can provide full life cycle costing to you after September 30, when we complete the Design Master Plan.

Considering the size and complexity of this undertaking, the Service must ensure the proper balance between the current modernization schedule against the risks involved in accelerating that schedule. To speed the process would increase the risks both to taxpayers and the IRS.

SELF-AUDIT

Senator Domenici: I understand that you are currently running a self-audit test program. Could you tell me more about that? How is it working so far?

Mr. Goldberg: The self-audit test program is in the developmental stage. This approach is based on the concept that unintentional noncompliance should be corrected in ways designed to educate the taxpayer and correct the behavior without the use of enforcement sanctions and in a positive mode. One such method that we will be testing is to allow taxpayers to conduct self-audits in specific areas/issues and file amended returns where errors are found. An incentive or positive inducement for taxpayers to undertake this effort would be to consider waiving interest on any additional tax provided the amended return was filed within a specific time period.

This type of approach focuses on encouraging and rewarding citizen support of the voluntary tax system; increasing short-term yield via a less labor-intensive method; and in the long-term increasing overall revenue due to education of the taxpayer and correction of the behavior through a positive mode.

Senator Domenici: What is the difference between a 75 percent, 80 percent and 85 percent Taxpayer Service level? What is the difference in IRS resource requirements to meet each of these various service levels?

Mr. Goldberg: An additional 2.3 million callers can expect to receive assistance between each of the above levels of service. The resource requirement between each of these levels of service is approximately 340 staff years. For example, if IRS raised its level of service from 80 to 85 percent, an additional 2.3 million taxpayers would be able to receive taxpayer service assistance.

Senator Domenici: How, generally, is the level of Taxpayer Service measured?

Mr. Goldberg: Level of service is computed by dividing the number of calls answered by the adjusted demand. Level of service is the percentage of the adjusted demand we are able to satisfy. Adjusted demand is the total call attempts (calls answered plus busy signals plus hang-ups) adjusted to arrive at the actual number of individuals involved. The formula to compute adjusted demand recognizes that as the number of available assistors and incoming lines decreases, the number of times an individual needs to call to get into the system increases.

Senator Domenici: For fiscal year 1991, the budget asks for 90 fewer taxpayer assistors positions. What impact will this have on IRS' ability to increase Taxpayer Service 5% above the fiscal year 1990 level?

Mr. Goldberg: The reduction in staff reflects the absorption of the anticipated 1991 pay increase. The Service plans to reduce overhead and support positions, not front-line tax assistors. The budget assumes a decrease in demand for direct (one-on-one) telephone taxpayer assistance, and an increase in the use of automated response modes (Tele- Tax), thus achieving an overall gain in level of service. If demand estimates prove unstable, and technology advancements do not materialize as expected, the Service would redirect resources from less critical areas.

Senator Domenici: What is the degree of accuracy currently achieved by IRS tax assistors? What is the optimum level of accuracy, given the fact that it is impossible to achieve a 100 percent level?

Mr. Goldberg: The Taxpayer Service cumulative accuracy rate as measured by the Integrated Test Call Survey System, ITCSS, for the period February 5, 1990 to April 21, 1990 is 77.2%. As we have said many times, taxpayers are entitled to correct answers from the IRS everytime they call. Perfection is the only acceptable goal for this agency in everything we do.

While our progress is noteworthy, we can -- and should -- do better next year. We have learned a great deal from the progress we have made, and are already developing strategies to improve our performance again during 1991.

Senator Domenici: What actions is IRS undertaking to improve Taxpayer Service accuracy levels? What has proven successful in the past?

Mr. Goldberg: The Probe and Response Guide was expanded for the 1990 filing season. The guide issued to assistors and managers includes probing points for the most common tax law topics as well as the points to be covered in a correct response. This guide was expanded from our 1989 information package to all assistors.

Training has been redesigned with more emphasis on developing the probing and research skills of our assistors. We are using results from the Integrated Test Call Survey System (ITCSS) and actual transcribed telephone calls to determine Continuing Professional

Education (CPE) course topics. Management training was redesigned to strengthen the monitoring and feedback skills of our supervisory staff.

The 1990 filing season represents the second year of operation for the diagnostic centers. The centers have greater experience in how to approach and react to data being provided by the system. Each center is identifying problem areas and trends at their call sites and formulating and implementing corrective action. The centers also conduct their own test call program not to determine accuracy, but rather to target and direct corrective action.

This filing season ITCSS was able to generate more sophisticated data than in the past. In addition, we are able to better analyze the data and offer recommendations. Specific examples of data being produced this year includes caller notes by exception. Test callers actually document what assistors are telling the caller in lieu of what is expected. Regions find this especially helpful when providing feedback to the sites. Raw data (unweighted) reports were sent weekly to each region for use as a diagnostic tool in helping to target and direct actions. Raw data reports show if an answer is incorrect as a result of a missing probe(s) or response point(s) or both.

Senator Domenici: Congress has been alerted by the FEC that based on its latest projections the Presidential Election Campaign Fund may not be adequate to cover the 1992 Presidential elections. FEC has proposed funding to enhance public awareness of this program.

It has been suggested that one place to start might be to provide a better explanation of the Presidential Election Campaign Fund in the tax form instructions.

Has the FEC discussed this with IRS? Has the IRS been receptive to this idea? If not, why? If so, how soon could the tax forms be changed to provide a better explanation of this program?

Mr. Goldberg:	We have received a letter from the FEC advising us of the expected shortfall in the Presidential Election Campaign Fund. FEC believes that while some of the shortfall is due to the inflationary spiral experienced since the fund's inception with the actual checkoff remaining a stationary $1, the decline in participation by taxpayers is also a major contributor. The Service is willing to include additional information on the subject in next year's tax packages. As a means of addressing the problem during the current filing period, the Service has issued a News Release on March 14, 1990, which provides an in-depth explanation of the subject.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

QUESTIONS FOR COMMISSIONER GOLDBERG AND OTHER IRS WITNESSES

On March 9, I wrote to IRS Examinations seeking information on the efforts made by IRS examiners to combat money laundering. The answers I received yesterday from IRS indicates this is an area in serious need of attention.

Commissioner Goldberg, I want to ask you to review these letters, and after you have had a chance to review them, I hope you can work with us to help develop a system to track IRS Examination's efforts to fight money laundering.

In my March 9 letter, I asked IRS Examinations to indicate the number of Bank Secrecy Act audits it conducted by type of institution (e.g., banks, money transmitters, check cashers, etc.).

While IRS did provide statistics on the total number of Title 31 compliance checks, it also noted: "We are unable to correlate the compliance checks to the types of institutions examined as we do not maintain these statistics."

In other words, IRS Examinations cannot tell us how many Bank Secrecy Act audits it conducted of money transmitters. It cannot tell us how many Bank Secrecy Act audits it conducted of banks, or check cashers.

Senator D'Amato:	Are you willing to consider a system that will enable IRS Examinations to provide such information in the future?
Mr. Goldberg:	A tracking system to capture the number of compliance checks by each financial category has been implemented starting with the Fiscal Year 1990. With your permission, I submit for the record summary of the compliance checks conducted by category for the first quarter of fiscal year 1990.

I also asked how many referrals for further, and possibly criminal, investigation IRS Examinations made under the Bank Secrecy Act to the IRS Criminal Investigations Division and to the Treasury Department's Office of Enforcement?

Title 31 Compliance Checks Performed by
Examination for the 1st Quarter ending
December 31, 1990, by Type of Entity

Currency Exchanges	118
Issuers and Redeemers of Checks and Money Orders	87
Licensed Senders, Transmitters of Funds	6
Telegraph Company	161
Casinos	1
Agent/Agency Foreign Bank	0
Bank Type (Credit Union)	99
Total	472

IRS Examinations could provide no hard numbers on its referrals and stated: "We do not maintain statistics that would show how many Examination referrals were accepted for criminal investigation."

Senator D'Amato: Are you willing to consider developing a system that will enable Examinations to maintain statistics on the referrals it makes and on the referrals that are accepted for criminal investigation?

Mr. Goldberg: Yes. We will modify and enhance our system to include how many Examination referrals were accepted for criminal investigation.

I also asked Examinations how many of these referrals involved a recommendation to seek penalties against financial institutions and/or their officers. The answer I received is as follows: "Examination does not maintain statistics regarding the penalties recommended...."

Senator D'Amato: Would IRS be willing to develop a system to enable Examination to maintain statistics regarding the penalties it recommends?

Mr. Goldberg: Yes. We will work with Treasury to develop procedures which will capture penalty statistics.

INTERNAL REVENUE SERVICE and the WAR-ON-DRUGS

Senator D'Amato: How does IRS participation in OCDETF investigation compare with that of other Federal agencies?

Mr. Goldberg: IRS is the second leading Federal agencies in terms of overall participation in OCDETF investigations. This is a position we have held for several years.

Senator D'Amato: What is the value of assets seized by IRS for forfeiture as the result of money laundering or narcotics violations?

Mr. Goldberg: For fiscal years 1988 and 1989, the IRS seized a total of $69 million in property and cash. Of this almost $57 million is pending forfeiture in judicial proceedings.

Senator D'Amato: How many Special Agents were involved in money laundering and the war on drugs in 1980? In 1989?

Mr. Goldberg: In FY 1980 we expended 232 special agent average FTE in these areas, while in FY 1989 we expended 931 special agent average FTE in these areas, an increase of over 40%.

Senator D'Amato: What are the total IRS resources applied to the war on drugs?

Mr. Goldberg: Including our participation OCDETF, we plan to expend over $110 million and over 2,250 average FTE in FY 1991 to combat illegal drug use.

TOWN MEETINGS

Mr. MURPHY. Mr. Chairman?

Senator DECONCINI. Yes, Mr. Murphy.

Mr. MURPHY. Could I clarify something from last year that affected both you and Senator Domenici?

If you recall, when I was the lead witness, we got into a discussion about town meetings, and I mentioned to you that there was one in New Mexico, and I later said I thought there might be one in Phoenix, and then I was embarrassed when I had to correct the record and say there wasn't.

Well, let me report to you, Mr. Chairman, that there was one, as you probably are aware, in Arizona this year, and it went extremely well. So in the last 2 years we have had one in both New Mexico and Arizona.

Senator DECONCINI. Thank you, Mr. Murphy.

Thank you, gentlemen.

SUBCOMMITTEE RECESS

This concludes today's hearing. The subcommittee stands in recess.

[Whereupon, at 12:30 p.m., Wednesday, March 21, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 28.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page

Aikens, Joan D., Commissioner, Federal Election Commission ... 273

Bennett, William, Director, Office of National Drug Control Policy ... 1
  Prepared statement ... 8
Black, Daniel R., Associate Director, Compliance, Bureau of Alcohol, Tobacco and Firearms ... 309
Brady, Hon. Nicholas F., Secretary, Department of the Treasury ... 443
  Prepared statement ... 446
Brennan, Charles H., Deputy Commissioner, Operations, Internal Revenue Service ... 697
  Letters from ... 699, 700

Caputo, Guy P., Assistant Director, Protective Operations, U.S. Secret Service ... 635
Carnes, Bruce, Director of Budget, Office of National Drug Control Policy ... 1
Combs, Linda M., Assistant Secretary of the Treasury, Management, Department of the Treasury ... 443
  Prepared statement ... 448

D'Amato, Hon. Alfonse M., U.S. Senator from New York:
  Prepared statements ... 3, 111, 698
  Letters from ... 699, 700
Dooher, John C., Assistant Director, Washington Office, Federal Law Enforcement Training Center ... 401

Edwards, Don A., Assistant Director, Office of Training, U.S. Secret Service ... 635
Elliott, Lee Ann, Chairman, Federal Election Commission ... 273

Garmon, Stephen E., Deputy Director, U.S. Secret Service ... 635
Goldberg, Fred T., Jr., Commissioner, Internal Revenue Service ... 697
  Biographical sketch ... 707
  Prepared statement ... 702

Hallett, Carol Boyd, Commissioner, U.S. Customs Service ... 107
  Prepared statement ... 115
Hamilton, C. Wayne, Budget Director, U.S. Customs Service ... 107
Hartnett, Daniel M., Associate Director, Law Enforcement, Bureau of Alcohol, Tobacco and Firearms ... 309
Higgins, Stephen E., Director, Bureau of Alcohol, Tobacco and Firearms ... 309
  Prepared statement ... 310

Jenkins, Garry M., Assistant Director, Investigations, U.S. Secret Service ... 635
Johnson, D. John, Deputy Commissioner, Planning and Resources, Chief Financial Officer, Internal Revenue Service ... 697
  Biographical sketch ... 707

Kelso, William M., Assistant Director, Administration, Federal Law Enforcement Training Center ... 401

Lane, Michael H., Deputy Commissioner, U.S. Customs Service ... 107
Lee, David C., Assistant Director, Administration, U.S. Secret Service ... 635
Libertucci, Arthur J., Jr., Comptroller, Bureau of Alcohol, Tobacco and Firearms ... 309

Page

McGarry, John Warren, Vice Chairman and Chairman of the Finance Committee, Federal Election Commission 273
Prepared statement 277
Mihelcic, Richard J., Associate Chief Counsel, Finance and Management, Internal Revenue Service 697
Miller, R.J., Deputy Director, Federal Law Enforcement Training Center 401
Murphy, Michael J., Senior Deputy Commissioner, Internal Revenue Service 697

Nummy, David M., Deputy Assistant Secretary for Departmental Finance and Management, Department of the Treasury 107, 309, 401, 443, 635, 697
Nunez, Peter K., Assistant Secretary for Enforcement, Department of the Treasury 443

Palmer, Frank, Chief, Financial Management Division, U.S. Secret Service 635
Philcox, Henry H., Acting Chief Information Officer, Internal Revenue Service 697

Rinkevich, Charles F., Director, Federal Law Enforcement Training Center 401
Prepared statement 403

Samway, Terrence, Assistant Director, Protective Research, U.S. Secret Service 635
Biographical sketch 644
Simpson, John R., Director, U.S. Secret Service 635
Prepared statement 639
Snow, Robert R., Assistant Director, Office of Government Liaison and Public Affairs, letter from 646
Staton, Dennis, Comptroller, Federal Law Enforcement Training Center 401

Walters, John, Chief of Staff, Office of National Drug Control Policy 1

SUBJECT INDEX

DEPARTMENT OF THE TREASURY

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Page

Absorption:
  Impact 337
  Issues 336
Achilles project 340
Applications review 345
Assault weapons 338
  Cost 339
Banned weapons 339
Drug control strategy 335
Firearms impact 337
Guns, sale of 344
Laws, adequate enforcement of 340
Mandatory sentencing 343
Marketplace, firearms in the 342
Mexico, weapons seizures in 340
Pay absorption 341
Personnel request 346
President's request 335
Seizure authority 347
Stolen firearms, tracing of 338
Submitted questions 351
Task force:
  Activities 349
  Harlem area targeted by 350

FEDERAL LAW ENFORCEMENT TRAINING CENTER

Center responsibilities 401
Construction:
  Costs 413
  Estimate changes 417
Dormitory:
  Costs 416
  Funding 417
  Requests 413
Drug Enforcment Administration:
  Department assistance on study 412
  Training 411
Facility housing benefits 414
Fiscal year 1991 appropriation request 402
Marana operations costs 410
Off-center housing:
  Costs 415
  Requirements 415
  Use 416
Submitted questions 419
Technology advances 417
Temporary housing measures 414
Workload 402

Page

INTERNAL REVENUE SERVICE

Absorption, using revenue initiative to cover 739
Accounts receivable:
    Goal 735
    Trend in 714
    Versus tax gap 713
Actuarial examination initiative 724
Additional hires 711
Appeals:
    Initiative, dollars recovered under 725
    Inventory 725
    System 735
Arbitration 737
    Use of 737
Attorneys, recruitment and retention of 740
Bank secrecy audits 730
Budget and management initiatives 733
Budget shortfall 712
Computer system modernization 741
Congress, budget approved by 710
Critical challenges facing IRS 714
Decreased American productivity 737
Enforcement activities 715
Ensuring IRS operating efficiency 729
Examination/tax shelter initiative 723
Financial accountability 708
Fiscal year 1991:
    Budget request 712
    Revenue initiative 738
Initiatives, baseline resulting from 734
Integrity 716
Internal Revenue Service:
    Growth 729
    Resources for 731
Limited budget allocations, impact of 738
Management initiatives 712, 717
New revenue initiative, rationale for 728
1991 budget, background to 708
Pension plan actuarial strategy 725
Procurement process 741
Proposed initiatives:
    CBO analysis of 727
    Revenue from 726
Recruiting attorneys 739
Recruitment and retention 740
Securing budget base 727
Structural imbalances 710
    Impact of 732
Submitted questions 742
Systems modernization 716
Tax:
    Cases, arbitration on 736
    Court 735
    Processing and taxpayer service 715
    Shelter initiative, revenue raised under 723
    Shelters 735
Taxpayer ombudsman 737
Toll free telephone service 732
Town meetings 852

OFFICE OF THE SECRETARY

Additional:
    Customs agents 456
    Revenue 463
Agents, cross-designation of 460
Budget reallocations 454

Page
Europe, investment in ... 458
European Bank ... 449
Glynco facility ... 461
Independent oversight board ... 472
Internal Revenue Service:
    Budget priorities ... 456
    Enforcement ... 454
    Recruitment and retention ... 462
Legislation expanding seizures ... 470
National Law Enforcement Commission ... 452
Operation Alliance ... 452
Poland, stock market in ... 459
Resolution Trust Corporation ... 464
    Organization ... 465
Savings and loan funding ... 468
Southwest border plan ... 452
Southwest border, additional resources at ... 453
Submitted questions ... 473
Wire transfers ... 471

U.S. CUSTOMS SERVICE

Aerostats ... 141
Canada and the United States, trade between ... 131
Cargo:
    Container examinations ... 127
    Inspection/EXODUS ... 135
Customs agents, cross-designation of ... 129
Drug staffing levels ... 124
Financial Crimes Enforcement Network ... 147
Fiscal year 1990 supplemental drug funding ... 127
Inspection positions ... 128
Integrity program ... 132
Mexico ... 149
New York, air interdiction in ... 130
Operation Alliance ... 130
P-3 AEW:
    Procurement ... 148
    Surveillance missions ... 149
Research and development ... 145
Southwest border HIDTA designation ... 130
Staffing reductions ... 133
    Effect of ... 126
State and local asset sharing ... 132
Submitted questions ... 152
United States-Mexico border facilities ... 142

U.S. SECRET SERVICE

Budget shortfall ... 657, 659, 660, 661
Candidate nominee ... 655
Command post renovations ... 649
Equal employment opportunity ... 638
Fiscal year 1990, consolidation started in ... 661
Fiscal year 1991:
    Absorptions ... 650, 652, 653
    Budget ... 650
    Funding the budget shortfall ... 654
Former Presidents:
    Cost of protection of ... 648
    Protection of ... 647
Headquarters consolidation ... 661
Investigations ... 637
Investigative activity ... 638
Minorities, increased recruiting of ... 657
Minority statistics ... 656
Overseas Presidential protection ... 644
Protection ... 637

Page
Recruitment and retention 655
Submitted questions 662
Travel budget 654

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF NATIONAL DRUG CONTROL POLICY

Administratively uncontrollable overtime [AUO] 20
Base drug programs, reductions to 19
Budget process—OMB and ONDCP 39
Customs programs 40
Customs Service budget 38
DARE programs 46
District of Columbia 27
Drug education 44
    Programs 23
Federal drug grant assistance by State 13
Guns and drug crime 31
High-intensity drug trafficking areas 11, 17
I-95, drug trafficking on 30
Legalization 36
Local law enforcement, effect of 25
Mexico 47
New York:
    Funding to local governments 33
    High-intensity drug trafficking area 32
1990 enacted level, decreases from 21
OMB cooperation 41
Plan to provide additional resources 17
President's fiscal year 1991 budget 42
Prison alternatives 36
Science and technology, application of 27
Southwest border 38
Special forfeiture fund 35
    ONDCP drug-related assistance from 21
State corrections activities 37
Submitted questions 48

FEDERAL ELECTION COMMISSION

Campaign finance spending 275
Democratic reforms in the world 274
Fiscal year 1991 budget request 274, 275
General budgetary concerns 276
Independent expenditure cases 284
Independent expenditures 284
Presidential election campaign fund 273, 285
Public financing 286, 288
Soft money 287, 289
Submitted questions 289
Title 26 audits 275
Workload 276

○